FIXING OUR BROKEN IMMIGRATION SYSTEM

The Economic Benefits of Providing a Path to Earned Citizenship

The Executive Office of the President

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Fixing Our Immigration System: The Economic Benefits of Providing a Path to Earned Citizenship

“We all know that today, we have an immigration system that’s out of date and badly broken... But for comprehensive immigration reform to work, it must be clear from the outset that there is a pathway to citizenship. We’ve got to lay out a path — a process that includes passing a background check, paying taxes, paying a penalty, learning English, and then going to the back of the line, behind all the folks who are trying to come here legally. That’s only fair. So that means it won’t be a quick process but it will be a fair process. And it will lift these individuals out of the shadows and give them a chance to earn their way to a green card and eventually to citizenship.”

– President Barack Obama, January 29, 2013

Today, there are 11 million undocumented immigrants living and working in the shadow economy. At the same time, too many employers hire undocumented workers, undercutting businesses that play by the rules. Neither is good for the economy or the country.

The bipartisan Border Security, Economic Opportunity and Immigration Modernization Act (S. 744) passed by the Senate is an opportunity for our country to finally fix its broken immigration system. This commonsense legislation, drafted and supported by both Democrats and Republicans, has four pillars: (1) continue to strengthen our borders; (2) crack down on companies that hire undocumented workers; (3) hold undocumented immigrants accountable before they can earn their citizenship by requiring them to pass background checks, pay penalties and their taxes, learn English, and go to the back of the line; and (4) streamline the legal immigration system for families, workers, and employers.
A majority of Americans support a path to earned citizenship. However, some in Congress have suggested that immigration reform should provide only legal status, without any opportunity for those who are getting on the right side of the law to earn their way to citizenship. This “legalization-only” approach violates a basic principle of our country: that anyone, no matter where they came from, can become an American citizen if they’re willing to work for it and take on the responsibilities of citizenship. We cannot afford a system that creates a group which can never become fully American, denying equal rights to people who pay the same taxes and play by the same rules even after they’ve paid a penalty and gotten on the right side of the law.

While the bipartisan bill passed by the Senate creates a path to earned citizenship, the path is long, and by no means easy. No one would automatically gain citizenship, but rather only those that meet several criteria – including paying penalties, fines, and their taxes, learning English, passing extensive background checks, and going to the back of the line – would have the opportunity to earn citizenship.

Our country is stronger when everyone has a stake, everyone pays their taxes and fulfills their responsibilities, and everyone is equally invested in our common future. It makes no sense to tell a major and sizeable group of people who are willing to work hard, learn English, pay taxes, and raise American children that they can never have access to full citizenship in this country. Indeed, this would undercut the very values that make our country strong.

An approach to immigration reform that leaves out a path to earned citizenship would jeopardize not only a core principle underlying commonsense immigration reform but also some of its economic and fiscal benefits. As highlighted in this report, a range of economic research has shown that the roughly 11 million immigrants living and working in the United States without authorization are earning far less than their potential, paying much less in taxes, and contributing significantly less to the U.S. economy than they would if they were given the opportunity to gain legal status and earn U.S. citizenship. And in particular, this research has shown the significant economic costs – in terms of lost growth, earnings, tax revenues, and jobs – associated with failing to provide a path to earned citizenship for these families. Moreover, the “legalization-only” approach would apparently impose so many restrictions on the legal status available to current undocumented immigrants that many might be afraid to come forward. Thus, they might also jeopardize the economic gains that come from bringing undocumented workers out of the shadows.

Economists, business leaders, and American workers agree – we must take advantage of this historic opportunity to fix our broken immigration system in a comprehensive way. To this end, the President urges the House of Representatives to take action and stands willing to work with all parties to make sure that commonsense immigration reform becomes a reality as soon as possible.

This report highlights the economic benefits of citizenship – and what it would cost the country if we were to fail to provide a path to earned citizenship to millions of legalizing workers.
Economic Benefits of a Path to Earned Citizenship

Citizenship comes with rights but also responsibilities. According to the Migration Policy Institute, every immigrant-receiving country in the industrialized world provides a route for immigrants to become citizens.¹ This process typically requires naturalizing immigrants to demonstrate that they have achieved a certain level of integration into the host society by meeting a set of eligibility criteria, paying fees, and/or taking tests. With one notable – and ignominious – exception, the United States has a history of allowing those who immigrate to this country and meet the eligibility criteria to apply for citizenship.² The annual number of people who have naturalized has continued to increase over the last several decades with an average of 680,000 naturalizing between 2000 and 2009. In 2012, there were approximately 757,000 U.S. naturalizations.³ Creating a path to earned citizenship will allow us to continue in our rich tradition as a nation of immigrants and a nation of laws. This legacy has made the United States to be the envy of the world and a global economic engine.

The independent Social Security Actuary (SSA), nonpartisan Congressional Budget Office (CBO), and others have estimated that undocumented immigrants will pay more in both federal and state taxes once they can come out of the shadows and work legally, in part because legal status leads to a rise in income. According to CBO, the additional taxes paid by new and legalizing immigrants would not only offset the estimated cost of the Senate immigration bill, but would be substantial enough to reduce the deficit by nearly $850 billion over the next 20 years.⁴ And because providing an earned path to citizenship would allow currently undocumented workers to work above board, the Institute for Taxation and Economic Policy estimates that they would pay as much as $2 billion per year in additional state and local taxes – beyond the $11 billion in taxes these workers already pay each year.⁵

Research shows that citizenship yields even greater economic benefits than legalization. The Migration Policy Institute has found that, between 1993 and 2010, naturalized citizens earned between 50 and 70 percent more than noncitizens, and also were employed at higher rates in 2010 and 2011.⁶ Most of this wage difference is explained by the fact that naturalized immigrants have,

² The Chinese Exclusion Act of 1882 prohibited the immigration of all Chinese laborers, and made Chinese immigrants already in the U.S. ineligible for citizenship.
on average, higher educational achievement, better English language ability, higher representation in high-wage sectors, and more work experience in the U.S. But as explained below, a number of studies have found that citizenship itself is associated with an additional boost in wages of 5 percent or more, even beyond what can be explained by differences among naturalizing and noncitizen workers or the provision of legal status alone. This is documented both in studies that compare naturalized immigrants to non-citizen legal residents with the same demographic characteristics, education, language skills, and work experience in the United States⁷, and in studies that examine how immigrants’ earnings change after they naturalize.⁸

### The Economic Benefits of Providing a Path to Earned Citizenship

*The additional economic benefits of providing citizenship compared to providing legal status alone (2013-2022)*

<table>
<thead>
<tr>
<th>Metric</th>
<th>Benefit</th>
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<tbody>
<tr>
<td>U.S. GDP</td>
<td>$568 billion higher GDP by 2022</td>
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<tr>
<td>Total Income</td>
<td>$321 billion in additional income for all Americans by 2022</td>
</tr>
<tr>
<td>Federal and State Taxes</td>
<td>$75 billion more taxes paid by undocumented immigrants</td>
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<tr>
<td>New Jobs</td>
<td>820,000 more jobs for all U.S. workers</td>
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### Citizenship and Immigrant Earnings

Research suggests that citizenship provides significant economic and practical benefits to workers, families, and the U.S. economy. Indeed, a number of studies have identified a statistically significant relationship between naturalization and increased earnings, employment and purchasing power, which bring concomitant benefits for the overall economy.

⁷ See for example Pastor and Scoggin (2012), Sumption and Flamm (2012), and Chiswick and Miller (1992).

Research on the citizenship earnings premium dates back to at least the 1970s, when economist Barry Chiswick (currently of George Washington University), showed that citizenship was associated with a 15 percent increase in the earnings of foreign-born men, which fell to 7 percent after adjusting for duration of U.S. residence.9 In a subsequent 1992 analysis of a wider group of foreign-born men, based on 1980 Census data, Chiswick and economist Paul Miller identified a naturalization-associated wage premium of approximately 5 percent.10

Building on these cross-sectional studies, economists Brent Bratsberg and James Ragan, both of Kansas State University, and Zafar Nasir in 2002 examined the naturalization premium through a longitudinal analysis.11 Their research followed a cohort of young male immigrants from 1979 through 1991, using longitudinal panel data (drawn from the National Longitudinal Survey of Youth). They found that naturalization increased wages by at least 5.6 percent in their sample, even after allowing for differences in unobserved personal characteristics (individual specific “fixed effects”) – as well as evidence that, compared to otherwise similar non-citizen immigrants, this initial increase may also be accompanied by faster wage growth over time. The authors also were able to replicate their findings in three matched cross-sectional datasets, from the 1990 Census and additional annual data from 1994 to 1998.

Summarizing their results, which were published in the Journal of Labor Economics, the authors concluded: “These findings have important implications for the literature on assimilation and for U.S. policy on naturalization. They indicate that naturalization is not an insignificant event that occurs during the assimilation process, nor does it merely capture length of stay in the United States. To the contrary, naturalization accelerates the process of labor market assimilation. ... For young male immigrants, success in the U.S. labor market is intimately related to citizenship.”

More recent studies have extended the analysis to women and attempted to isolate the effect of citizenship by comparing naturalized immigrants with otherwise similar non-citizen legal residents, updating previous studies with new data. For example, a 2008 study by economist Ather Akbari of St. Mary's University identified, using 2000 Census Bureau microdata, a statistically significant wage premium associated with citizenship of between 9 to 12 percent for immigrants from developing countries.12 His results, he summarized, “[show] that naturalization has a statistically significant and positive effect on the earnings of immigrant men and women who arrive from developing countries.” His study also evaluated the fiscal effects of an earned citizenship provision in legislation, and concluded: “In sum, the above results indicate that there is a benefit to American taxpayers with the acquisition of citizenship by immigrants.”

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11 Bratsberg et al. (2002).

More recently, a 2012 study by Manuel Pastor and Justin Scoggins, both of the University of Southern California, analyzed individual-level data from the U.S. Census Bureau. Controlling for a range of demographic and other variables that predict individual wages, the authors estimate an earnings premium associated with citizenship of between 8 and 11 percent. And in March 2013, economists Robert Lynch of Washington University and Patrick Oakford of the Center for American Progress released a new study that identified significant income gains from citizenship beyond those attributable to legal status alone — and concluded that citizenship would boost unauthorized noncitizen immigrants’ income by an additional 10 percent.

Economy-Wide Benefits of Providing a Path to Earned Citizenship

Both the Pastor-Scoggins and Lynch-Oakford studies build on previous research in this area to estimate the wider economic benefits that would result from these identified wage gains. As Lynch and Oakford note in their study, those gains are not enjoyed only by the workers themselves: “The resulting productivity and wage gains ripple through the economy because immigrants are not just workers—they are also consumers and taxpayers. They will spend their increased earnings on the purchase of food, clothing, housing, cars, and computers. That spending, in turn, will stimulate demand in the economy for more products and services, which creates jobs and expands the economy.”

Pastor and Scoggins used data from the U.S. Department of Homeland Security’s Office of Immigration Statistics to simulate a scenario in which the population of legal immigrants that is eligible to become citizens under current law naturalized – finding that total income in the U.S. would increase by as much as $9 to $13 billion per year as a result of increased or higher earnings, a key benefit of citizenship. From these results, the authors conclude that “policies designed to increase naturalization could yield important economic benefits for both immigrants themselves and for the U.S. economy as a whole.”

Lynch and Oakford took a similar approach, modeling several different immigration reform scenarios that together allow for an accounting of the full range of benefits of earned citizenship provisions over a ten-year window. In addition to estimating the direct wage premium resulting from citizenship, the study estimates these indirect effects by simulating both the direct impact of higher labor productivity and the indirect effects of higher spending throughout the economy.

Specifically, the study estimates the economic impact of immigration reform under three scenarios, two of which can be compared to isolate the costs over 10 years of an approach that provides


currently undocumented workers with legal work status only, rather than the full economic benefits of citizenship. The study found that while a “legalization-only” approach would have some positive economic impacts, providing citizenship would yield far greater economic benefits.

The Lynch and Oakford study found that the economic benefits of citizenship are nearly 70 percent greater than the economic benefits of legalization alone. While the scenario in which immigrants are granted legal status only would increase cumulative GDP by $832 billion, increase cumulative personal income by $470 billion, result in $109 billion in additional state and federal taxes paid by currently undocumented workers, and lead to 1.2 million in new jobs – granting citizenship was estimated to increase cumulative GDP by $1.4 trillion, increase cumulative personal income by $791 billion, result in $184 billion in additional state and federal taxes paid by currently undocumented workers, and lead to 2 million new jobs compared to the status quo. Therefore, an estimated 820,000 fewer total jobs would be created, and federal and state governments would lose $75 billion in additional tax revenue under a “legalization-only” approach, compared to the benefits that would result from citizenship.¹⁵

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¹⁵ These figures are the difference between a scenario that provides all undocumented immigrants legal status and citizenship in 2013 and a scenario that provides all undocumented immigrants legal status in 2013 but no citizenship within ten years. The impacts, then, can be thought to represent the isolated effect of citizenship beyond the provision of permanent legal work status.
Why a Path to Citizenship Has Additional Economic Benefits

Researchers have suggested and tested a number of different explanations for the identified citizenship earnings premium. The mechanisms that contribute to the citizenship premium are likely to include a number of factors, including the ability to obtain jobs and licenses for which citizenship is required; jobs that require travel, which is often easier for those with U.S. passports; and citizenship serving as a signal to employers that a person means to stay in the U.S. (in addition to a guarantee that they are legally present).

This research suggests that the largest factor, however, may be the less tangible one: the greater certainty that accompanies citizenship leads to more investment, for example, in education and training, or more willingness to take the risk of starting a business.

Better Employer-Employee Matching

Certain jobs and licensed professions – in particular, many positions related to public safety and those requiring security clearances – require citizenship, and are unavailable to authorized immigrants who are not naturalized. Noncitizens are barred from serving in, for example, the New York City Police Department (NYPD) and a number of state police forces, including in Georgia, Arizona, and Utah. Similarly, many cities, including New York, Atlanta, and Detroit, have citizenship requirements for firefighters. While noncitizens can enlist in the U.S. Armed Forces, their career opportunities are limited unless and until they are able to become citizens. Creating a greater pool of soldiers who can ascend through the ranks and serve in a multitude of jobs not only provides opportunities for young patriotic people to serve, it also strengthens military readiness. A U.S. citizenship requirement is not limited to law enforcement or public safety: one study surveyed public job announcements aimed at Ph.D. economists by nonacademic employers, and found that over 40 percent explicitly required U.S. citizenship.16

Workers who are naturalized also are more attractive for jobs that require frequent travel, which is often easier with a U.S. passport. Possessing a U.S. passport facilitates entry into many countries around the world and the inspection process for U.S. citizens upon return is more expeditious than for non-citizens. By contrast, permanent residents who go abroad risk losing their legal status.

Additionally, some employers may see citizenship as a signal that a candidate is socially integrated into the community and committed to staying in the U.S. long-term.17 Citizenship may also serve as a signal for other characteristics, including basic command of English and possession of “good moral character” – both requirements for naturalization. Under certain circumstances, employers may legally use U.S. citizenship as the basis for employment.

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16 Bratsberg et al. (2002).
17 Sumption and Flamm (2012).
For these and other reasons, naturalizing immigrants have consistently cited better economic opportunities as a reason for seeking citizenship. Among naturalizing immigrants responding to a 2009 survey, 68 percent cited access to better employment opportunities as a “major reason” for seeking citizenship.18

Citizenship – which offers immigrants more flexibility to apply for and get jobs in industries and locations that they would not otherwise be qualified or eligible – allows workers to move to sectors where their skills are most useful. The resulting better matches between employers and employees can lead to productivity gains that benefit the economy as a whole.

Investing in Education and Training

Beyond the direct benefits from better labor market matching and access to higher-paying jobs, some of the largest economic gains associated with citizenship may be those that result from a less tangible factor. As workers solidify their commitment to the United States by naturalizing, and feel secure that they will reside here permanently, they are more likely to acquire additional skills valued in the U.S. labor market or make other productive new investments. 19

As Bratsberg et al summarize: “Those who plan to work in U.S. labor markets long term have a greater incentive than other immigrants to invest in human capital valued in U.S. labor markets.” And indeed, the authors report that their results are “consistent with the view that immigrants invest more heavily in human capital in anticipation of naturalization and receive returns on this investment only after naturalization.”

Researchers have suggested that citizenship often leads to the acquisition of U.S.-specific human capital, beyond that associated with legal status. Because citizenship provides a tangible guarantee of membership in American society, naturalized workers have a greater incentive to make long-term investments in U.S.-specific human capital like education – thereby accelerating wage growth.

This greater certainty may lead to a range of new investments that raise workers’ productivity and benefit the economy at large, for example: obtaining tailored education and vocational training, starting a new business in the U.S., making deeper investments in their local communities and labor markets – investments they might not make if they were unsure whether they could remain in the U.S.


19 See for example Bratsberg et al. (2002); Akbari (2008); and Pastor and Scoggins (2012).
The Senate Bill’s Path to Earned Citizenship

The commonsense immigration reform bill that passed out of the Senate with strong bipartisan support contains a lengthy but fair path to earned citizenship for the 11 million undocumented immigrants living in the shadows. The goal is to provide a clear, meaningful process for these individuals to come forward and earn their citizenship which will enable them to fully integrate, contribute to their local communities and the American economy, and ultimately become U.S. citizens. Under the Senate bill’s provisions, individuals must register, pass national security and criminal background checks, pay their taxes, learn English, and pay fees and fines before going to the back of the line behind those who have filed for and have been waiting for immigrant visas (or “green cards”).

Additionally, the bipartisan Senate bill includes an expedited earned citizenship process for young people who came to the U.S. as children and were younger than 16 when they initially arrived in the country. Under the bill’s provisions, these young people – often called “Dreamers” – would be eligible for an expedited five-year path to citizenship if they either acquire a degree from an institution of higher education or attended college for at least two years, or served in the military for at least 4 years. Finally, the Senate bill would establish the “blue card” program for agricultural workers, their spouses, and children to earn citizenship if they have worked a minimum amount of time in agriculture and commit to remaining in the agriculture sector.

This critical component of the Senate bill has strong and growing support from a broad spectrum of leaders – from law enforcement officials to faith leaders, and business to labor leaders – and Americans.

Support for a Path to Earned Citizenship

The American people strongly support immigration reform, particularly the path to earned citizenship. Indeed, polling has consistently shown that there is broad support across political parties, race and ethnicity, regions/states, voters and others. As the immigration reform debate continues, this support has not wavered. In fact, more and more Americans are speaking up to voice their support for reform.

- In a recent poll, 78% of Americans voiced support for a path to earned citizenship for undocumented immigrants if they meet certain requirements. And 70 percent of Republican voters support a path to earned citizenship.21

- There continues to be strong support for immigration reform that includes a path to earned citizenship among the Latino community. But there is also strong support for a path to

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21 http://www.americansforaconservativedirection.com/primary_poll
citizenship among other groups, including African American (66%)\(^{22}\) and Asian American voters (66%).\(^{23}\)

- Americans also prefer to allow individuals to earn citizenship rather than just providing undocumented immigrants with a path to legal status with 54% supporting citizenship while only 12% support allowing them to stay in the U.S. without citizenship.\(^{24}\)

- There is also strong support for immigration reform with a path to earned citizenship in states across the country.\(^{25}\)

Additionally, leaders from a broad spectrum of communities – from business to labor, law enforcement to faith – are advocates for a commonsense immigration reform bill that includes a path to earned citizenship. And reflecting the views of their constituents, support for a path to earned citizenship among elected officials transcends party affiliation.

- **Senator McCain (R-AZ),** “If it [comprehensive immigration reform] doesn’t [include a path to citizenship], then we have ignored the lessons of some European countries who, as you know, have had mass immigration from other countries, and they live in their own enclaves and they don’t assimilate. The greatness of America is the assimilation of wave after wave of immigrants that’s come to this country, which has made us the greatest nation in the world.”\(^{26}\)

- **U.S. Rep. Paul Ryan (R-WI),** “At the end of the day, if everybody else in line who came here legally and did everything right is through the system and a person then, after an exhaustive period, after a probationary period, after a green card, not consuming any government benefits, wants to get in line like everybody else for citizenship, we should allow that person to do that. That’s earning the right to become a citizen.”\(^{27}\)

- **Tom Donohue, President, U.S. Chamber of Commerce,** “We need to provide a path out of the shadows for the 11 million undocumented immigrants who live in the United States today — provided that they meet strict conditions.”\(^{28}\)

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\(^{26}\) [http://www.washingtontimes.com/blog/inside-politics/2013/jun/25/mccain-bill-may-not-include-path-citizenship/](http://www.washingtontimes.com/blog/inside-politics/2013/jun/25/mccain-bill-may-not-include-path-citizenship/)


Jim Wallis, President & CEO, Sojourners, “We don’t believe there are second-class images of God, and therefore we don’t believe in a second-class status for people who are willing to follow an earned path to citizenship.”

Galen Carey, Vice President of Government Relations, National Association of Evangelicals, “We want to see at the end of the day an opportunity for the folks who have been here, who have been working hard and contributing but lacking that legal status, to be able to eventually become citizens like the rest of us.”

George Will, conservative columnist, “What we’re really arguing about is what to do about the 11 million illegal immigrants who are here already. And I think what we learned this week was any plan that does not envision as an end point citizenship for those is not going to work.”

Richard Trumka, President, AFL-CIO “Working people, including the 12 million members of the AFL-CIO, would like to remind our elected leaders why there is no higher legislative priority than immigration reform, which must include a certain and inclusive path to citizenship and respect the rights of America’s workers.”

Eliseo Medina, Secretary-Treasurer, SEIU, “We will continue to be in the streets, at town hall meetings and on the phones, demanding justice for the 11 million aspiring Americans in our country.”

29 http://evangelicalimmigrationtable.com/2013/03/evangelical-leaders-to-push-for-earned-citizenship/
30 http://evangelicalimmigrationtable.com/2013/03/evangelical-leaders-to-push-for-earned-citizenship/
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