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Citizen Gain: The Economic Benefits of Naturalization for Immigrants and the Economy

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Summary brief

Citizenship brings many benefits to immigrants, the opportunity to participate more fully in our democracy through the right to vote being primary among them. But beyond the clear civic gain is an often overlooked economic benefit: naturalized immigrants are likely to see a boost in their family incomes that can benefit their children, their communities and the nation as a whole.

This potential “citizen gain” can occur for a number of reasons, including a higher likelihood of investments in U.S.-specific skills and better job matching. And the total impact on America’s finances could be significant: roughly 8.5 million Lawful Permanent Resident (LPRs) are eligible to naturalize and raising their rates of naturalization could be a strategic contribution to bolstering the U.S. economy.

The benefits of naturalization

What would happen if those 8.5 million LPRs who are eligible to naturalize actually chose to do so? How much would their economic situation improve – and how would that impact the overall economy? If such win-win gains are possible, how could government, business leaders, community groups, and foundations help to encourage even higher rates of naturalization?

The USC Center for the Study of Immigrant Integration (CSII) recently sought to answer these questions in the policy brief *Citizen Gain: The Economic Benefits of Naturalization for Immigrants and the Economy*. Drawing on methods used in past studies, we combined individual-level data from the Census Bureau’s 2010 Public Use Microdata Sample (PUMS) with data on LPRs eligible to naturalize from the U.S. Office of Immigration Statistics (OIS).

We find that the earnings of naturalized immigrants are well above those of non-citizen immigrants. Of course, there are other important differences between these two groups, including longer residency in the U.S., better English-speaking abilities, and more education. So we used a sophisticated multivariate analysis to estimate the “earnings premium” associated with citizenship itself. Controlling for human capital, personal and household controls; recency of migration, country of origin and the state of the local labor market; and, finally, for industry and occupation, our most conservative estimates show that earnings can rise by around 8 to 11 percent after naturalization.

The earnings gains do not take place immediately and we make use of newly collected data on the year of naturalization to show the trajectory over time. And because some may worry that what we are really estimating is the impact of being an authorized immigrant (since only the authorized can become citizens while the non-citizen immigrant comparison group includes both authorized and unauthorized), we make use of a unique California data set to show the effect really is associated with the “citizen gain” due to more specific skills and better job match.

What is the potential impact on the U.S. economy? Because it would not be reasonable to assume that all immigrants will naturalize or that those who choose to do so will do it immediately, we simulate three scenarios in which we step up naturalization such that the stock of immigrants eligible to naturalize falls by half over the course of 5, 7, or 10 years, respectively. We then use lower and upper bound estimates based on the degree of shifting between jobs and find that aggregate earnings increase on the order of \$21 billion to \$45 billion over a decade, depending on how rapidly we can achieve the naturalization target. The impact on GDP can be even larger once we take into account the secondary effects of higher incomes on spending and demand.

Nurturing naturalization

If gains can be made from naturalization, why are they not being pursued? In order to naturalize, LPRs face several hurdles: they must demonstrate English language proficiency, knowledge of U.S. history and government, and pass a criminal background check. They must also pay for the application and biometric tests.

When do such reasonable hurdles become obstacles? Some have argued that one obstacle is the application fee: with the biometrics, the cost totals \$680. And the fee itself is a lower bound estimate of costs: successful applicants also need to put time and money into English and civics courses, as well as obtaining any needed legal or other assistance in preparing the paperwork. These costs can be unreachable for many low-income immigrants – and, in fact, approximately 52 percent of LPR’s eligible to naturalize are low-income.

Indeed, a 2010 survey of Latino immigrants who had attended one of NALEO’s Ya Es Hora! citizenship workshops reported that more than two-fifths of those who had postponed their application indicated cost as the reason for doing so – and of those, nearly all claimed that they would be more likely to file an application if loans were available to assist with the cost. Partly as a result, Casa de Maryland and Citi Community Development (part of Citigroup) have piloted a microloan program to help with naturalization fees, an effort that recently won an E Pluribus Unum prize from the Migration Policy Institute (MPI).

The federal government could also help by lowering application fees, streamlining the complicated application process, and following the June 2012 advice of the U.S. Conference of Mayors to actively promote naturalization across agencies. Local governments can also play a role: the same Mayors Conference urged cities across the nation to adopt “New Americans Initiatives” to support all aspects of immigrant integration.

And since businesses will benefit from the improved productivity, earnings and spending associated with naturalization, business leaders can play a role in promoting it. A range of efforts exist to promote English learning on the job and encouraging naturalization would seem to be a reasonable next step. Such efforts are already underway and banks could help by developing even more micro-loan products that provide bridge financing.

Philanthropy can also play an important role. The Ford Foundation, the Open Society Foundation, the Knight Foundation, the Carnegie Corporation, the Grove Foundation, and the Evelyn & Walther Haas, Jr. Fund in connection with Grantmakers Concerned with Immigrants and Refugees (GCIR) have dedicated funding to promote naturalization and increase overall civic participation by immigrants and other marginalized groups – and there are undoubtedly others. Local community foundations have a particular role to play in forging regional efforts; for example, the California Community Foundation in Los Angeles has launched the Citizenship Campaign, which seeks to encourage eligible Legal Permanent Residents to become citizens and assists them in that process.

Those who have witnessed a naturalization ceremony often comment that there are few things more inspiring than watching a group of new Americans swear their allegiance to this nation and its principles. To know that it also can pay off economically is a bonus – and it is one that we should not leave lying on the floor. Encouraging naturalization is not just the right thing to do; it is an economic imperative in a nation still working to emerge from the shadow of recession. With the children of immigrants now totaling nearly one quarter of our overall youth population, it's an investment in their future and the future of America.

For the full (and fully cited) version of this report, see our website: csii.usc.edu