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The Economic Case for a Clear, Quick Pathway to Citizenship

Evidence from Europe and North America

By Pieter Bevelander and Don J. DeVoretz

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Introduction and summary

A number of recent studies have illustrated that opening a door for undocumented immigrants to earn legal status and, ultimately, citizenship would significantly enhance the U.S. economy.¹ This report goes further, examining not just the U.S. case but also the economic impact of allowing immigrants to gain full citizenship in other countries in North America and Europe. The evidence is clear: A pathway to citizenship free of obstacles and undue delays helps immigrants integrate into the labor market and increase their earnings. These increased earnings and the corresponding added tax revenue would help grow the economy, which yields benefits for native-born citizens too.

But generally understanding that pro-citizenship policies have positively affected a range of economies is only the first part of the inquiry. The next step is evaluating how the United States can maximize the potential economic gains from such policies. After demonstrating that granting citizenship carries positive economic impacts for an array of countries, this report delves deeper to explore how to maximize the gains from citizenship.

The literature on new and old immigrant-destination countries shows that the clearer the pathway to citizenship, the greater the gains, and that the optimal waiting period for citizenship is roughly five years. Placing significant restrictions and lengthy delays on immigrants' ability to become citizens diminishes the size of their ultimate economic premium for two reasons. The number of years that an immigrant can work for higher wages as a naturalized citizen declines, and immigrants have fewer incentives to invest in training and new skills as they age. Also, the best and the brightest immigrants may leave for their home countries or other, more welcoming countries.

But the goal is not simply to maximize individual naturalized citizens' contributions. It is also to encourage the greatest number of people to naturalize so that the country can reap the biggest economic benefit possible. After all, the economic gains will have little overall impact on a country's economy if few people are able to actually achieve citizenship.

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If maximizing the economic benefits of immigration reform is a priority for U.S. policymakers, it follows that they should adopt a clear, achievable, and relatively short pathway to citizenship that encourages the most eligible individuals to naturalize.² However, legislation presently before Congress, such as the Senate-passed immigration reform bill, proposes a far-longer pathway to citizenship—a minimum of 13 years—than is optimal. This pathway also comes with \$2,000 in fines and numerous application fees, all of which could serve to reduce the economic premium from citizenship and the number of people who will naturalize.³

While the countries surveyed in this report do not have large unauthorized populations, it is clear that the immigrants who enter these countries with the least amount of human capital—those at the lowest rungs of the workforce, for example—make the greatest gains and see the largest citizenship premiums. Given the roughly similar human-capital profile of the United States’ undocumented population, we can expect U.S. immigrants to make similarly large gains from legalization and citizenship.

It is in all Americans’ interest for policymakers to reconsider the length and cost of the pathway to citizenship in current legislative proposals and to pursue options for making it more—rather than less—attainable.

Guided by a survey of experts from around the world (see Appendix B and Appendix C), we divide the countries in this report into three categories: a high citizenship premium, represented by countries such as Canada; a medium citizenship premium, represented by countries such as Germany; and a low citizenship premium, represented by countries such as the Netherlands and Norway.

Glossary of terms

Labor-market integration: The degree to which immigrants are fully incorporated across industries, not concentrated in certain economic sectors, in a given country.

Economic premium of citizenship: The bump to a country’s economy that arises after immigrants become citizens. This bump comes in the form of higher wages and more tax revenue collected from naturalized citizens, all of which spurs more overall economic activity.

Acquisition or ascendency rate of citizenship: The percentage of all eligible immigrants in a given country who naturalize.

OECD migrants: The Organisation for Economic Co-Operation and Development, or OECD, is an organization of 34 countries from the developed world, such as Australia, Denmark, Iceland, Italy, Norway, Spain, and the United States. OECD migrants generally have greater education, skill levels, and earnings profiles than non-OECD migrants.

Optimal waiting period: The amount of time that maximizes the citizenship premium and the number of immigrants that become citizens. Note that the window for this waiting period only begins when an immigrant has access to the social and educational tools that would facilitate his or her integration into the host economy, including—but not limited to—language training, drivers’ licenses, checking accounts, and the ability to work legally. For undocumented immigrants living in the United States, this window would open after immigrants’ adjustment to legal status.

- **High premium:** Canada, which has a three-year waiting period for citizenship, recognition of dual citizenship, and low language requirements, has a high citizenship premium of 14 percent higher wages for immigrants who naturalize, compared to those who do not. The premium increases even more for immigrants coming to Canada from developing countries: For these migrants, it is as high as 29 percent. Nevertheless, the very short waiting period does cause a substantial outflow of newly naturalized migrants.
- **Middle premium:** Germany, by contrast, presents a long and bureaucratic waiting period of at least eight years, coupled with strict language requirements and a lack of dual-citizenship recognition after age 21. So, while the strong German economy brings a 15 percent wage premium to naturalized citizens, only 30 percent of the foreign-born population has naturalized, meaning that Germany loses out in economic value, with very few candidates naturalizing.
- **Low premium:** Finally, the Netherlands and Norway represent countries with both low rates of naturalization and little or no citizenship premium from naturalization. A combination of opaque citizenship-acquisition policies, lack of dual citizenship, high language standards, and long waiting periods all work to deter citizenship acquisition in these countries.