

The Labor and Educational Effects of DACA: Evidence from California

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Abstract: The Deferred Action for Childhood Arrivals (DACA) program, implemented in 2012, has been a subject of intense debate. While much research has examined the early effects of DACA, this study contributes to the literature by analyzing more recent data on the labor and educational outcomes of DACA recipients in California. Using a difference-in-differences approach, I aim to uncover significant changes in the labor market and educational outcomes of DACA recipients over time. I find those eligible for DACA experienced noteworthy effects compared to those who were ineligible. Specifically, they exhibit a significant 3.1 percentage point increase in the likelihood of having worked in the past year, accompanied by an annual earning boost of \$2290, an additional 1.8 hours of work per week, and a 1.7 percentage point decrease in the likelihood of being self-employed. Regarding education, although there is no significant difference in the likelihood of obtaining a GED between the eligible and ineligible groups, those who qualify for DACA demonstrate a notable 2.2 percentage point increase in college attendance compared to the ineligible group. These findings offer valuable insights into the long-term implications of DACA and bear significant policy implications. They shed light on the lives of hundreds of thousands of individuals and families affected by DACA, informing crucial decision-making processes that can shape their futures.

1. Introduction

The Deferred Action of Childhood Arrivals (DACA) program has been a passionately debated topic since its implementation in 2012. While the program has provided temporary relief and work permits for undocumented immigrants who arrived into the United States as children, there is still so much to be understood about its long-term effects on its recipients. The labor and educational effects of DACA on immigrant youth are particularly significant, as they shape the opportunities and prospects of a generation of young people who have only known the United States as their home.

While there has been a growing body of research analyzing the impact of DACA on its recipients, much of the existing literature focuses on the program's early years. This research paper seeks to add to the literature by utilizing more recent data on the labor and educational effects of DACA recipients in California. Specifically, I aim to explore whether there have been significant changes in the labor market and educational outcomes of DACA recipients over time. By doing so, I hope to contribute to a more comprehensive understanding of the long-term effects of DACA and inform policy decisions that impact the lives of hundreds of thousands of individuals and families.

1.1 Background of DACA

DACA was created by President Obama on June 15, 2012. The decision came after Congress had repeatedly failed to pass the Development, Relief, and Education for Alien Minors (DREAM Act), which aimed to provide a pathway to citizenship for undocumented immigrants who arrived into the United States as children. When the DREAM Act failed, President Obama used

his executive authority to create DACA as a temporary solution while Congress could pass a more permanent solution. Since its implementation, DACA has had a profound impact on the lives of immigrant youth, providing them with better job opportunities and access to a higher education. However, the program has faced legal challenges, and I will delve into these challenges in greater detail in section 1.2. As a result, its future remains uncertain, with the possibility of its termination looming.

The eligibility requirements for DACA are a crucial aspect of the program. To qualify for DACA, unauthorized immigrants have to meet seven criteria: (1) applicant was under the age of 31 as of June 15, 2012 (born on or after June 16, 1981); (2) applicant entered the United States before reaching their sixteenth birthday; (3) applicant must have continuously resided in the United States since June 15, 2007, up to the time of filling their application; (4) applicant must have been physically present in the United States on June 15, 2012 and at the time of filing their application; (5) applicant had no lawful immigration status on June 15, 2012, and at the time of filing their application; (6) applicant must be currently enrolled in school, have graduated high school or obtained a GED certificate, or are an honorably discharged veteran and; (7) applicant must not have been convicted of a felony, significant misdemeanor, or three or more misdemeanors, and do not otherwise pose a threat to national security or public safety.

Despite the benefits of DACA, there are certain limitations to the program. First and foremost, there is no pathway to citizenship via DACA. DACA recipients cannot apply for permanent residency through the program alone. Second, DACA recipients must renew their DACA status every two years. This comes at a cost of \$495. Third, DACA recipients must obtain a special permission (advance parole) to travel abroad. Without advance parole, DACA recipients will not

be allowed to reenter the United States. This also comes at a cost of \$575. Fourth, DACA recipients cannot receive any type of federal aid such as food stamps, supplemental income, college grants, federal loans for college, etc. Lastly, as mentioned above, DACA's legitimacy and legality have been subject to criticism which has led to legal challenges.

1.2 Legal Challenges

There have been two notable legal challenges that have questioned DACA's lawfulness. The first came in 2017, when the Trump Administration fulfilled their campaign promise of rescinding the DACA executive order (Migration Policy Institute, 2017). In response to this, the University of California school system sued the Trump Administration. This case went all the way to the Supreme Court, and by a 5-4 narrow margin, the Supreme Court ruled against the Trump Administration. The Supreme Court ruled against the Trump Administration not because they found DACA to be a lawful program, but because the matter of which the Trump Administration rescinded DACA was incorrect (*Department of Homeland Security v. Regents of the University of California*, 2020).

The second legal challenge comes at the time of this writing. Several states have sued the United States Government, claiming that DACA is an unlawful program (*State of Texas, et al. v. United States of America*, 2022). To date, both a District Court and Court of Appeals judge have ruled in favor of the states. In response, the Biden Administration issued a Final Rule to fortify DACA, and the case was sent back down to the District Court for review. As a result of the ruling, first-time DACA applicants will not have their applications processed. However, those who already have DACA can still renew their status. We all await the decision of the District Court judge's ruling of the Final Rule for DACA. Political pundits predict that this Final Rule will not be enough and that the case will eventually end up in the Supreme Court. Given the makeup of

the Supreme Court, with six conservative judges to three liberals, the future of the DACA program remains uncertain.

1.3 Geographic Distribution of DACA Recipients

Publicly available data from the U.S. Citizenship and Immigration Services (USCIS) reveals that the vast majority of DACA recipients were born in Mexico, accounting for 85% of all DACA recipients (USCIS, 2022). The next four countries with the highest number of recipients are El Salvador, Guatemala, Honduras, and Peru. Figure 1 shows the country of birth for DACA recipients. Domestically, California is home to the largest number of DACA recipients, in terms of state population and total numbers (USCIS, 2022). Following California, the states with the largest number of DACA recipients are Texas, Illinois, New York, and Florida. As of September 30, 2022, there are about 600,000 DACA recipients. Figure 2 shows DACA recipients as a percent of state population as of September 2022. Given that the overwhelming majority of DACA recipients come from Mexico, and California has the most DACA recipients, Mexicans DACA recipients can provide valuable insights into the program's impact.

2. Literature Review

2.1 Economic Theory

The labor market experiences of DACA recipients have been described by a range of economic theories that seek to understand the ways in which labor markets function and how workers are affected by economic processes and policies. In addition, education is a critical factor that plays a significant role in the labor market outcomes of DACA recipients. This section will review

several prominent economic theories relevant to understanding the intersection of labor market and education experiences of DACA recipients.

To begin, let us examine the two prominent labor market theories. Both of these theories are very similar as they share the concept of a divided economy, but with different approaches and perspectives of the economy. The dual-sector model, as developed by Sir Arthur Lewis, describes the transition from a traditional rural economy to a modern industrialized economy (Lewis, 1954). The model suggests that as the economy grows, labor should move from a traditional sector to a modern sector, leading to increased productivity and higher wages. The second prominent theory is the theory of segmented labor markets, developed by William Julius Wilson (Wilson, 1978). The segmented labor market theory suggests that the labor market is divided into two segments: a primary segment that offers stable, high paying jobs with good benefits, and a secondary segment that offers lower paying, less secure jobs with fewer benefits and less opportunities for advancement. The matter in which DACA ties into these theories is that DACA recipients can now move into the better desirable segment or sector of the labor market, given their work permit and protection from deportation. For example, if an undocumented individual is working without legal authorization, that individual has lower wages and very little opportunity for advancement. Give that undocumented individual a work permit and protection from deportation, they will move into a more desirable segment of the labor market.

The next theory is related to maximizing an individual's potential in the labor market. The human capital theory, as developed by Gary Becker, suggests that education and training are investments

in human capital that can increase an individual's productivity and earning potential in the labor market (Becker, 1964). According to the theory, individuals make rational decisions about how much to invest in their own education and training by weighing the costs of education (such as tuition, time spent studying, and foregone income) against the expected benefits (such as higher wages, better job opportunities, and greater job security). DACA recipients face a complex cost-benefit analysis when considering investing in their human capital. While DACA recipients have work permits and can reap the benefits of a higher education, DACA's legal stability has been consistently questioned by persistent legal challenges as mentioned in section 1.2. Given the risk of not potentially reaping the benefits of a higher education because of DACA's instability, DACA recipients face a complex cost-benefit analysis to pursue a higher education.

2.2 Impact on society

The impact of immigration on society has been a subject of study for many years. This section of the literature explores some of the key findings in this area. Examining impacts of immigrants on native market outcomes, (Card 1990) finds that the influx of immigrants had a small and short-lived effect on the wages and employment on native born workers. Similarly, examining the impact of immigration on local labor markets more broadly, (Card 2001) finds little evidence that immigration had a significant negative effect on wages or employment opportunities of native born workers. Challenging prevailing assumptions about the impact of immigrants on labor markets, (Borjas 2003) argues that immigration has a negative effect on the wages and employment opportunities of native born workers, particularly those with lower level of education and skill.

The papers above study the influx of *new* immigrants. An important requirement to be eligible for DACA is to have lived continuously in the United States since June 15, 2007. Therefore, the eligible population has already been participating in the economy for some time and may generate different effects than studies in the literature. While the available literature on the societal impact of DACA may be relatively limited, recent papers have shed light on its effects. Examining the labor market outcome effect DACA has on natives and DACA ineligible immigrants, (Battaglia 2021) finds that DACA does not depress labor market outcomes for natives, and possibly increases fraction working. Developing a general equilibrium model to determine the effect of DACA and the Dream Act, (Ortega et al., 2018) find that both programs increase GDP, with larger effects coming from the Dream Act if it were to be implemented.

2.3 Impact on individuals

The impact the DACA has on individuals is a growing body of research. While the growing body of research focuses on the effects of DACA two to five years after its implementation, these short term studies find common effects. Using large secondary data with proxies for DACA eligibility, studies find that DACA increased labor force participation and employment but had little or no effect on hours worked, full time work, wages, or schooling (Amuedo-Dorantes and Antman 2017; Hamilton et al., 2020; Hsin and Ortega 2018; Pope 2016). In terms of the effects DACA has on its eligible population on attaining a high school degree and GED certificate, multiple studies found that those eligible for DACA were more likely to obtain a GED, increased high school graduation rates, and exert a greater effort in school evidence by the California High School Exit Exam relative to those who were ineligible for DACA (Hamilton et al., 2020; Kuka et al., 2018; Pope 2016). When it comes to attending college, the literature returns ambiguous results. Some studies find that those eligible for DACA are more likely to attend college relative

to those who were ineligible (Hamilton et al., 2020; Kuka et al., 2018). While other studies find that those eligible for DACA had a reduced likelihood of college enrollment, particularly full time enrollment (Amuedo-Dorantes and Antman 2017; Dickson et al., 2017).

DACA is not a unique program. The United States has had a similar program since 1990.

Established by congress in 1990, Temporary Protected Status (TPS) is a program that allows migrants whose home countries are considered unsafe the right to live in the United States for a temporary, but extendable, period of time while also having the ability to obtain a work permit (USCIS, 2023). The main differences between TPS and DACA is they apply to two different immigrant groups. DACA is specifically designed for immigrant youth who entered the United States as children while TPS is designed for all individuals who cannot safely return to their home country due to conditions such as armed conflict, environmental disasters, or other extraordinary conditions. The literature on the effects of TPS are similar to the effects of DACA. Those who have TPS experienced positive effects on labor market outcomes such as employment and earnings (Harris and Jerch 2023; Orrenius and Zavodny 2014) relative to those who missed out on TPS.

2.4 Contribution to the Literature

The main contribution to the literature from this study will be from the use of more recent data. Most of the literature analyzing the labor market and educational effects of DACA use data that goes up to at most 2017, which is five years after the implementation of the program. This study will use data up until 2021, which is 9 years after the implementation of DACA. This will allow for more of a longer term analysis of the labor and educational effects of DACA. Another contribution to the literature is that I will be focusing specifically on the state of California. By

looking at the program's effect at the state level, we may be able to identify variation in the program's impact that may not be apparent in a national level analysis.

3. Data

3.1 Description of Data Source

The data used to analyze the labor and educational effects of DACA recipients in California comes from the U.S. Census Bureau's American Community Survey (ACS). The data used ranges from 2008 through 2021 with the exception of 2020 due to the Covid-19 pandemic. This data is well suited for my analysis. First, the survey's large sample size provides a representative snapshot of the U.S. population. The ACS is conducted annually, and it collects detailed demographic data for a one percent representative sample of the U.S. population. Second, the ACS collects data from households in the U.S. regardless of legal status (ACS, 2023). The Census Bureau has a master address file that contains all the addresses in the country. The file is randomly sampled during surveys, ensuring a large representative sample size which also includes immigrant households. Third, the ACS has a high response rate, at around 95% (ACS, 2023). Given that the data has a large representative sample, anyone's household can be selected regardless of legal status, and the high response rate, it is a solid data source to use. I will focus my analysis on non-citizen Mexicans ages 18-40. Table 1 provides a difference in means of the DACA eligible group and the DACA ineligible group.

3.2 Identifying DACA Eligibility from the Data

The ACS has a citizenship question, but it unfortunately does not have any follow-up questions if a person checks "No". In other words, it is difficult to determine who is a permanent resident,

visa holder, DACA recipient, or people with other types of non-citizen status. However, given the richness of demographic data in the ACS, I can create a reliable proxy to find those eligible for DACA.

To create the proxy to identify who is eligible for DACA, the variables used are age, quarter of birth, year of entry, age of entry, length of residency, and educational attainment. The variables not included in the ACS that had to be calculated with the given variables in the data are age of entry and length of residency. Therefore, with the data available in the ACS, I implemented the DACA eligibility requirements mentioned in section 1.1 to create a proxy to find those eligible for DACA. There are a couple things to note. First, the ACS does not ask anything related to crime or criminal record. Therefore, I cannot account for the last DACA eligibility requirement (7) of not having a significant criminal record. I believe this is okay because if an individual does not meet this requirement, they will not be able to renew their DACA status, and will therefore be filtered out of the data. Second, there will be non-citizen people who are permanent residents or visa holders who will end up in the DACA eligible group. While being eligible for DACA does come with strict requirements, there will ultimately be other legal status non-citizens who end up in the DACA eligible group since the DACA eligibility requirements closely mirror other legal status requirements. This, in effect, will bring the estimates of the model down to zero since those non-legal status people contaminating the DACA eligible group had no change before and after DACA's inception.

4. Empirical Strategy

This study aims to answer the following question:

- What are the labor and educational effects of DACA recipients in California?

Another way to think about this strategy is that there are two groups; the treatment group and control group. The treatment group is the DACA eligible group which is composed of non-citizen Mexicans ages 18-40 who met every single DACA eligibility requirement mentioned in section 1.1. The control group is composed of non-citizen Mexicans ages 18-40 who did not meet one or any of the DACA eligibility requirements mentioned in section 1.1.

The main outcomes variables of interest are the following:

- Labor
 - Worked; binary variable equal to one if an individual worked at least one hour in the past year
 - Unemployed; binary variable equal to one if an individual was unemployed in the past year
 - Income: total personal income in the past year
 - Hours Worked per Week: Hours worked per week in the past year
 - Self-employed; binary variable equal to one if an individual was self-employed in the past year
- Education
 - GED: binary variable equal to one if an individual obtained a GED
 - Attended College: binary variable equal to one if an individual has any college experience such as some college, associate degree, bachelor's degree, masters degree, etc.

4.1 Empirical Model

I will use a difference-in-differences approach to find the labor and educational effects of receiving DACA in California.

The specification of the model is as below:

$$Y_{it} = \beta_0 + \beta_1 DACA\ Eligible_{it} * Post\ DACA_{it} + \beta_2 DACA\ Eligible_{it} + \beta_3 Post\ DACA_{it} + \beta_4 X_{it} + \theta_t + \gamma_p + \varepsilon_{it}$$

Where;

- Y_{it} : The outcome variable for individual i in year t
- $DACA\ Eligible_{it}$: Binary variable equal to one if an individual i was eligible for DACA in year t
- $Post\ DACA_{it}$: Binary variable equal to one if it's after DACA was created (2013 and onward)
- X_{it} : Demographics control vector (age, years of education, male, married, and unemployed)
- θ_t : Time fixed effects (Year)
- γ_{it} : Location fixed effects (PUMAs)

5. Empirical Results

5.1 Difference in Means Plots

Before I present the results, I plot the difference in means for the DACA eligible group and the ineligible group. Figures 3-9 plots the difference in means for both groups for the sample mentioned earlier of the non-citizen Mexicans ages 18-40. As the plots show, both groups tend to be somewhat similar for the most part before DACA, and then both groups tend to diverge after DACA with the exception of the following variables; unemployed and GED.

5.2 Difference-in-Differences Results

I present two sets of estimations for the difference-in-differences model. The first set of estimates is presented in table 2, which has the labor outcomes. Table 3 presents the estimates for the educational outcomes.

5.2.1 Labor Outcomes

To begin, there is an overall positive effect on the labor outcomes for those who are eligible for DACA after DACA was created. Those who are eligible for DACA after DACA was created are 3.1 percentage points more likely to have worked in the past year, earn about \$2300 more per year, work about 2 more hours per week, and are 1.7 percentage points less likely to be self-employed relative to those who were not eligible for DACA. There was no effect on being unemployed. These results suggest that DACA recipients are less likely to work for themselves after DACA was created. Given that DACA provides a work permit to work openly and freely in the labor market, the results suggest that DACA recipients took advantage of that opportunity

and decided to work for somebody else with better pay and more hours as opposed to working for themselves or having their own business.

5.2.2 Educational Outcomes

The educational outcomes are a bit surprising. One would expect an increase in GED since it is a requirement to obtain DACA. However, there was no effect on GED attainment. In terms of college, those who are eligible for DACA after DACA was created are 2.2 percentage points more likely to attend college, although the statistical significance is not strong. This is also evident in figure 9, which shows the difference in college share between the DACA eligible group and ineligible group. As we can see, there is already a substantial share of DACA eligible people attending college before and after DACA. This may be due to California's immigrant friendly policies such the California Dream Act, which allows certain undocumented students who meet certain criteria to access financial aid and in-state tuition rates at public colleges and universities. The results suggest that DACA recipients have found stability in the uncertainty of the DACA program and decided to invest in their human capital to reap the benefits of a college education.

6. Summary and Conclusion

6.1 Discussions

To conclude, there are significant results for labor market outcomes across the board. In terms of education, there are weak effects on the likelihood of attending college for those eligible for DACA after DACA was created. These results are somewhat consistent with the literature. The literature found that those who are eligible for DACA have a higher labor force participation rate

and are more likely to be employed. The results presented above show similar findings. In terms of inconsistency with the literature, the results shown above estimate an increase in wages and hours worked per week, no effect on GED, and an increase in the likelihood of attending college. The literature reports no effect on wages and hours worked per week, weak effect on GED attainment, and the likelihood of attending college is ambiguous, with the literature being split on DACA recipients attending college.

It is important to note a couple of things. To begin, as mentioned earlier, I am using a government survey to study undocumented immigrants. While the specific survey that I am using, the ACS, does have a 95% response rate, it could very well be that the 5% non-responders are undocumented immigrants. Second, given that a proxy was created to find those eligible for DACA in the data, it is not going to be 100% accurate. There will be legal status non-citizens in the DACA eligible group such as green card holders, visa holders, and other legal status non-citizens. Given that there are legal status non-citizens in the treatment group, they will pull the estimate of the effect of DACA down to zero. The reason being that legal status non-citizens had no effect when DACA was implemented. In other words, the implementation of DACA had no effect on them since they already have some sort of legal status. Lastly, as figures 10-16 show, the pre-trends suggest that the DACA eligible and ineligible groups in the non-citizen Mexicans ages 18-40 sample do not fully meet the assumptions of parallel trends. Using the model from above, I interacted $Eligible_{it}$ with a binary variable for each year. While most outcome variables show similar pre-trends, it is important to note that the pre-trend assumption is not entirely met.

6.2 Policy Implications

The findings of this study have important policy implications for addressing the challenges faced by undocumented youth. The positive effects of DACA on labor market outcomes highlight the potential benefits of implementing policies that provide legal protections and access to work permits for the DACA population. Policymakers should consider the benefits of expanding DACA or creating similar programs that can increase labor force participation and employment outcomes for undocumented immigrants. This could not only improve the economic well-being of many undocumented immigrants and their families, but also contribute to the overall growth of the economy.

As positive as the effects of DACA were on the labor market outcomes, the weak effects on college attendance for those eligible for DACA suggests that existing policies, such as the California Dream Act, may not be sufficient in addressing the barriers undocumented youth face in accessing higher education. While the California Dream Act provides financial assistance and in-state tuition at public colleges and universities to undocumented youth who graduated from a California high school, there may be a need for additional policies that can provide academic support and legal protections to increase college enrollment rates and improve the educational attainment for DACA eligible individuals. Policymakers should consider the limitations of existing policies and explore ways to enhance their effectiveness or develop new policies to unlock the full potential of immigrant youth.

In conclusion, the findings of this study highlight the potential benefits of policies that provide legal protection and work permits for undocumented immigrants. Policymakers should consider

the positive effects of DACA on labor market outcomes and explore ways to expand it or create similar programs that can improve the economic well-being of this population. Additionally, they should focus on increasing educational access and improving academic outcomes for DACA eligible individuals to unlock their full potential.

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Figures and Tables

Figure 1: Country of Birth Totals for DACA Recipients

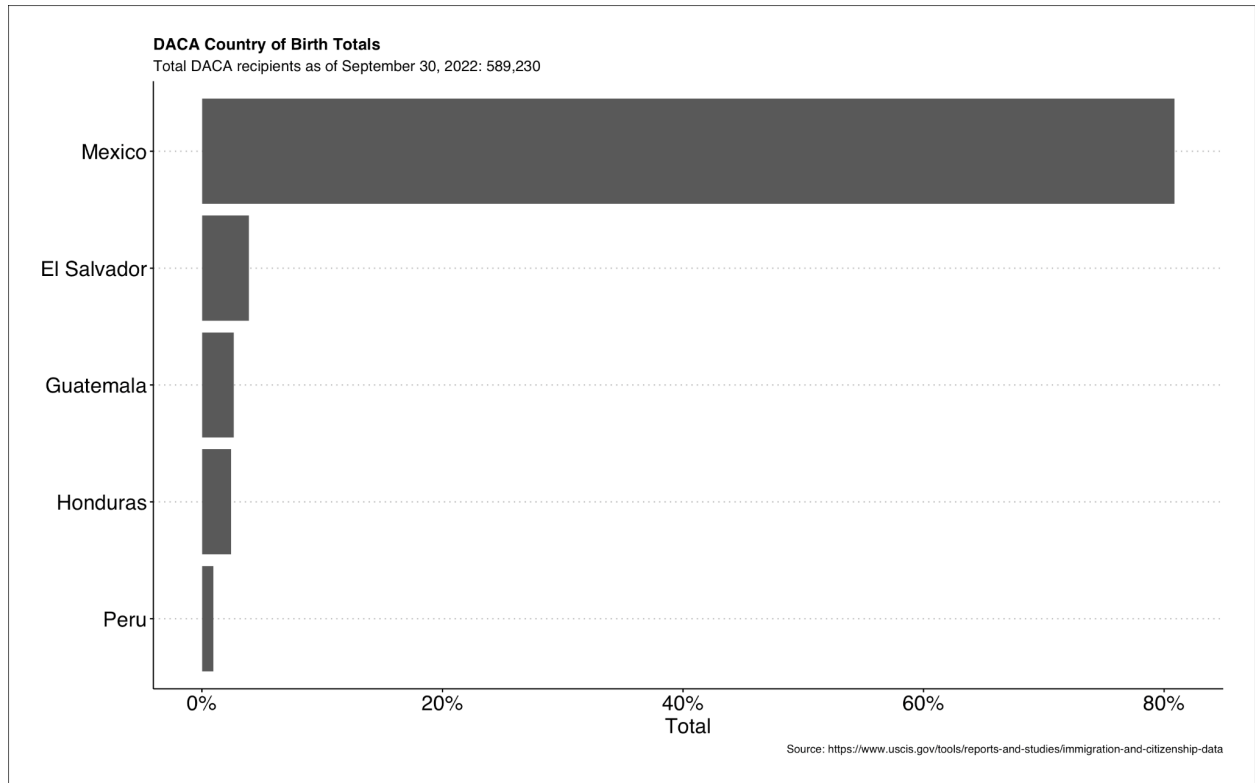
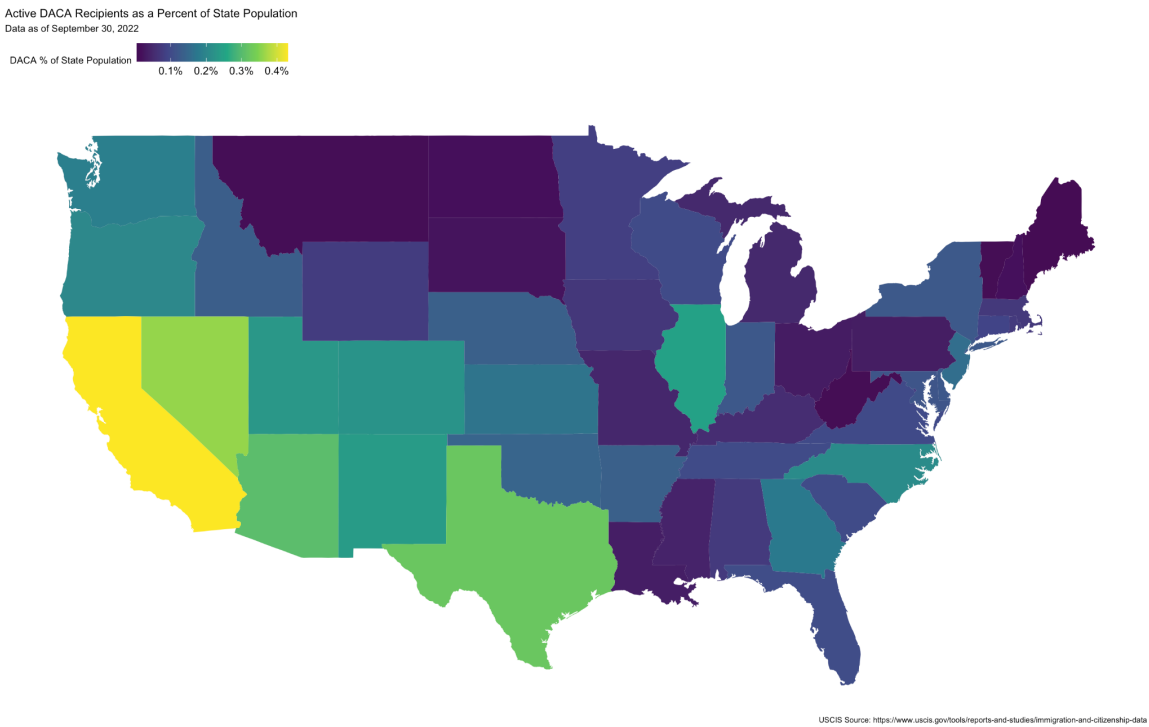
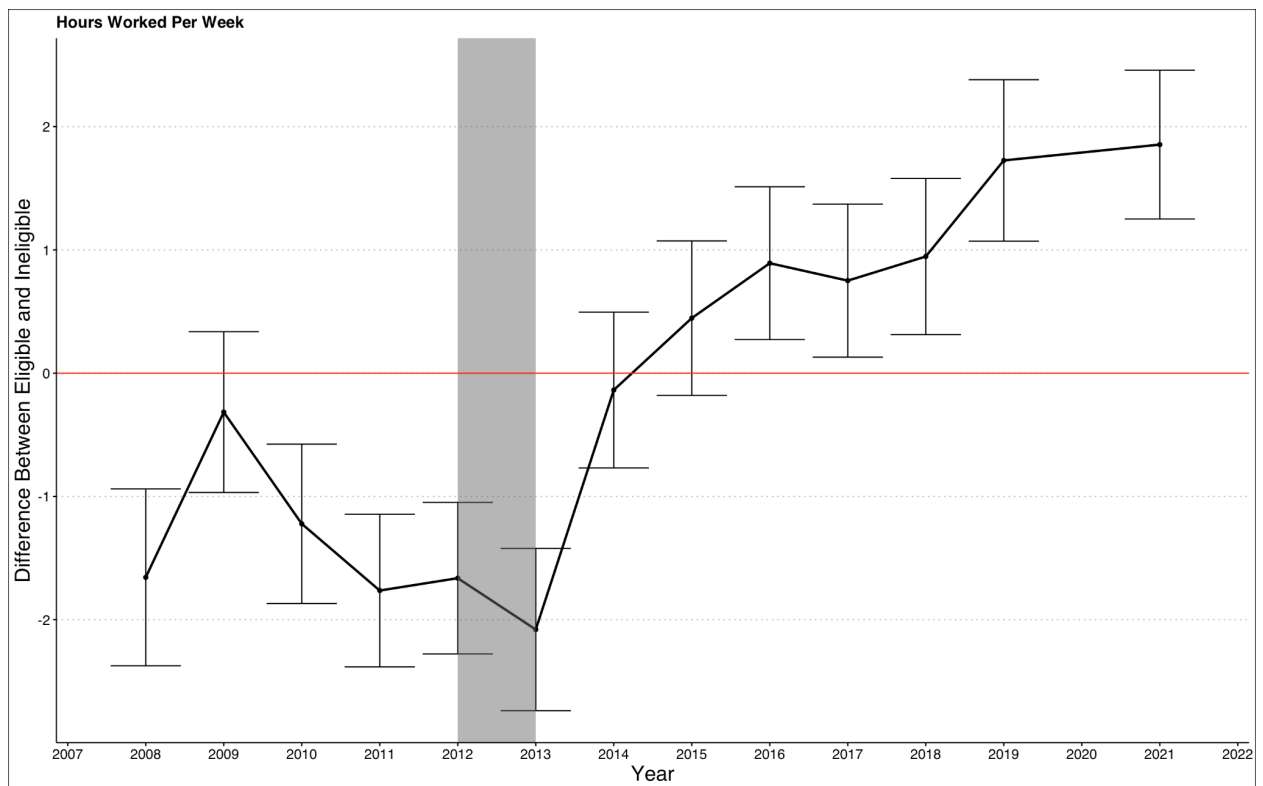
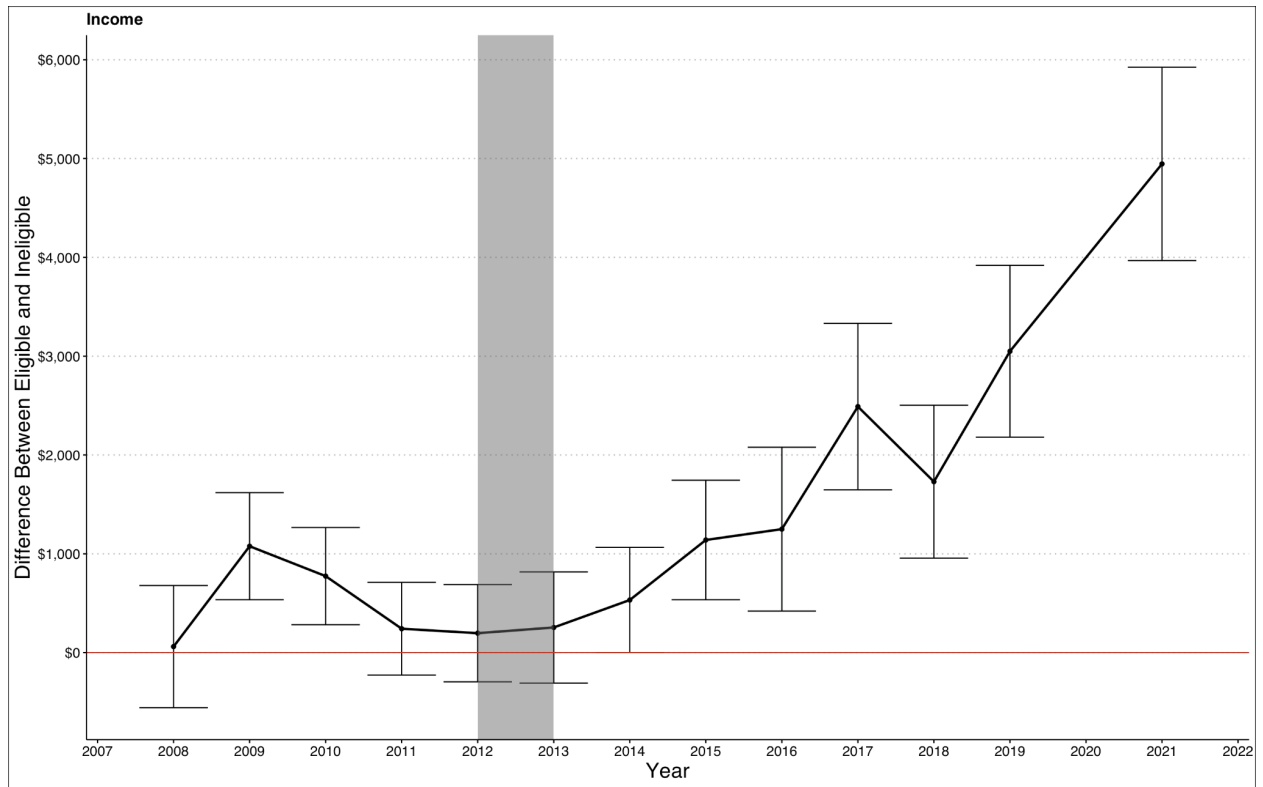
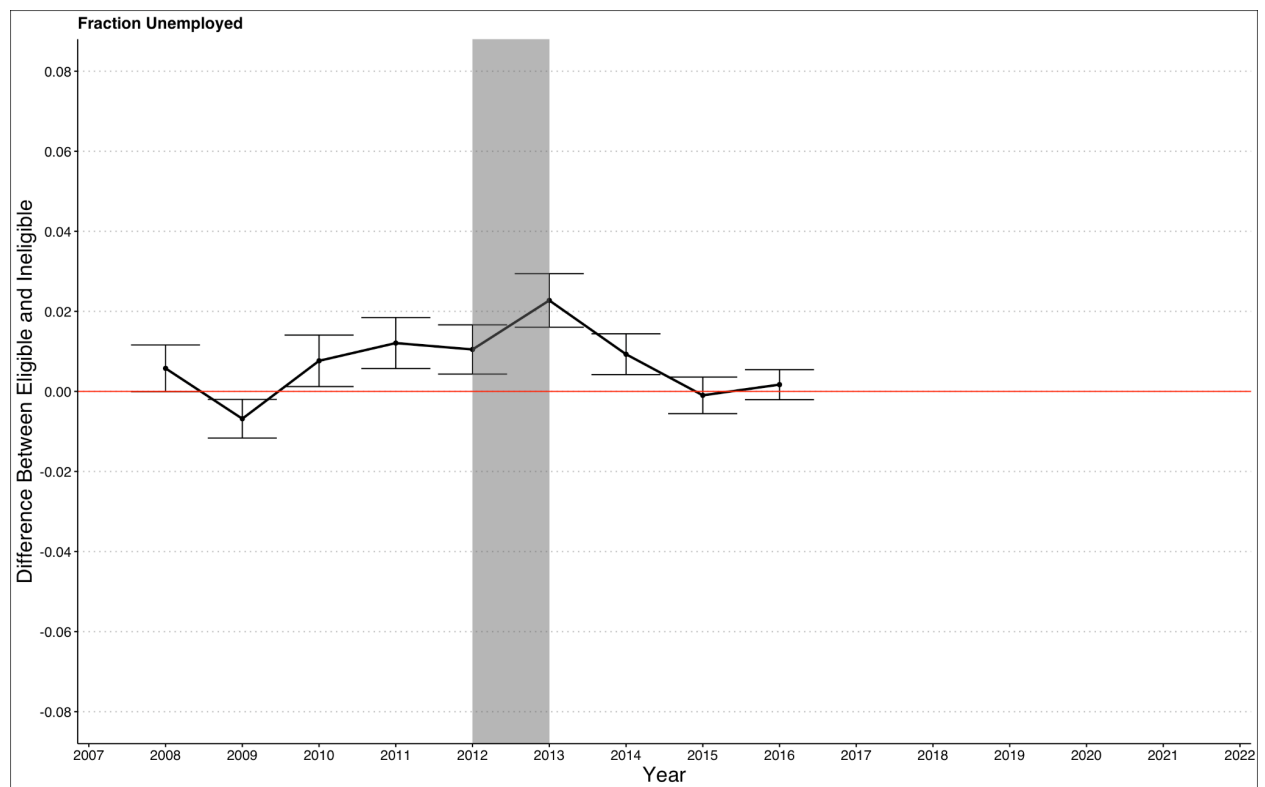
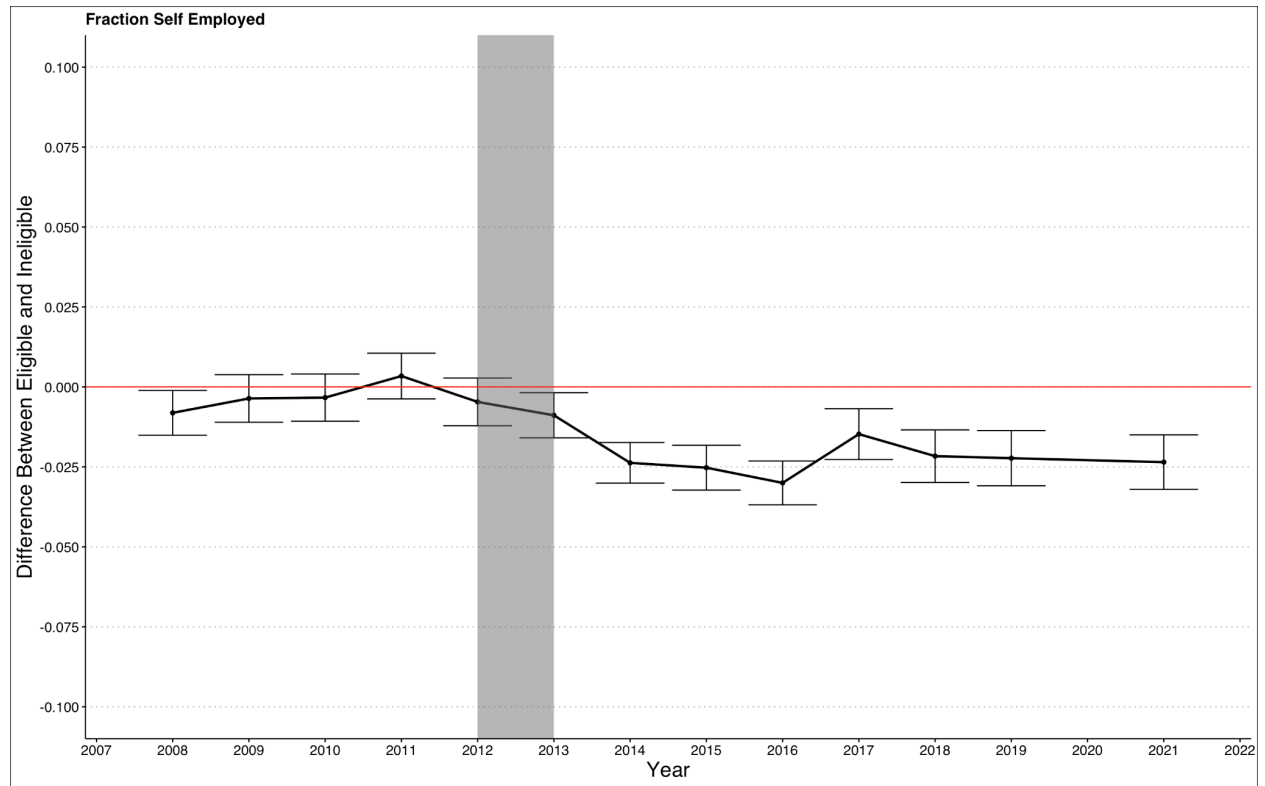


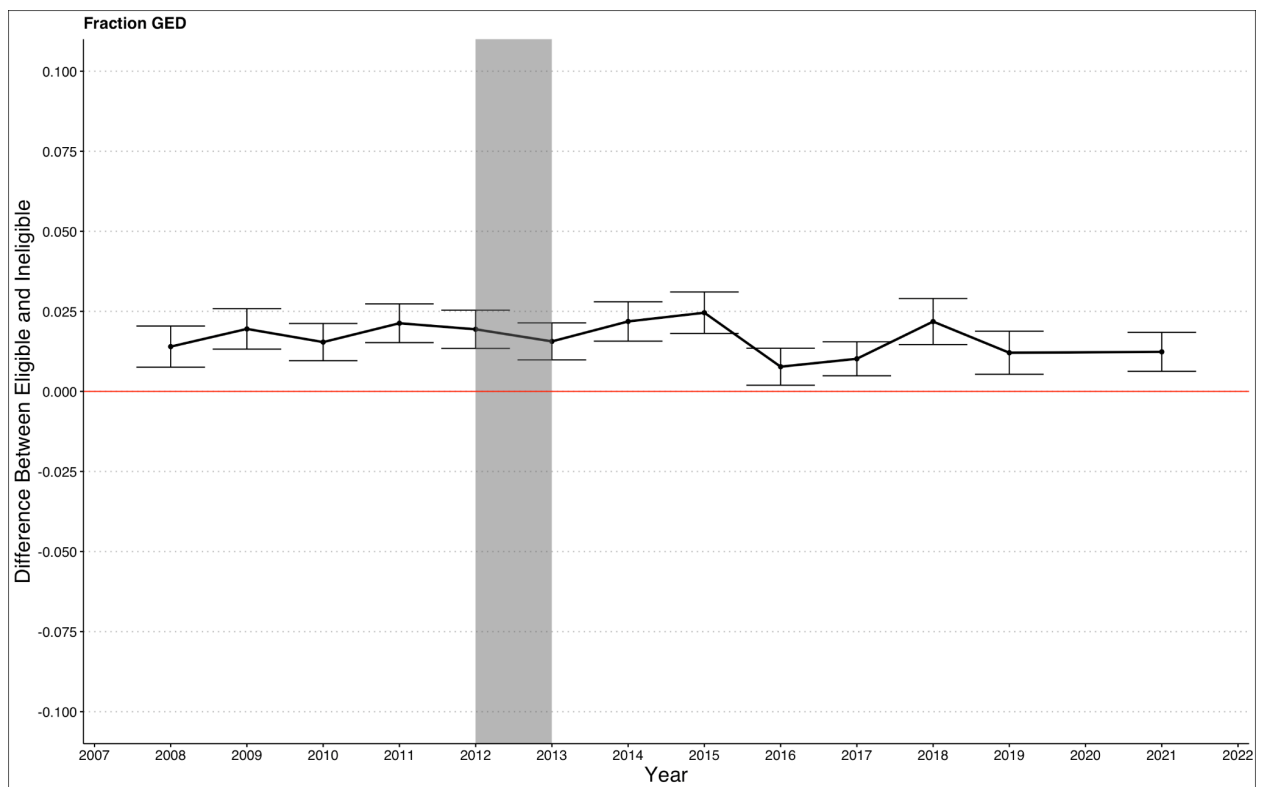
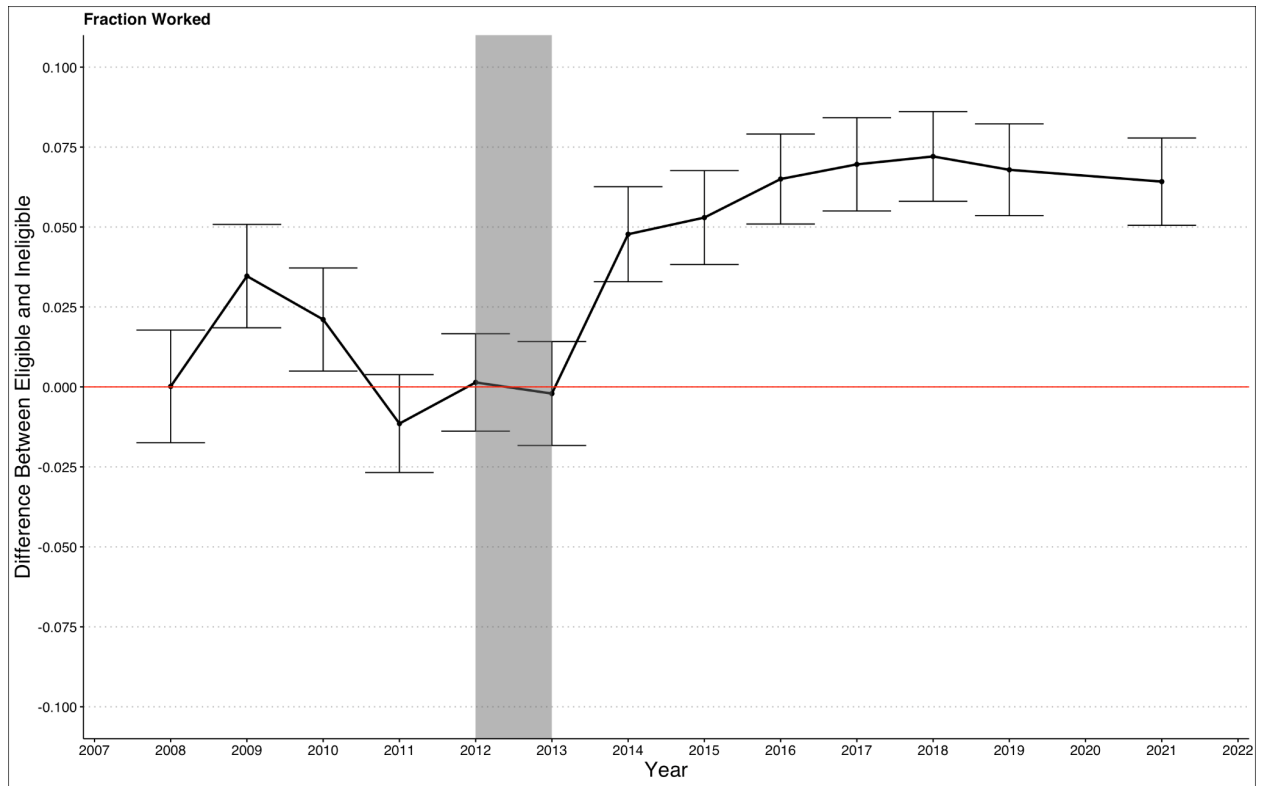
Figure 2: DACA Recipients as a Percentage of State Population

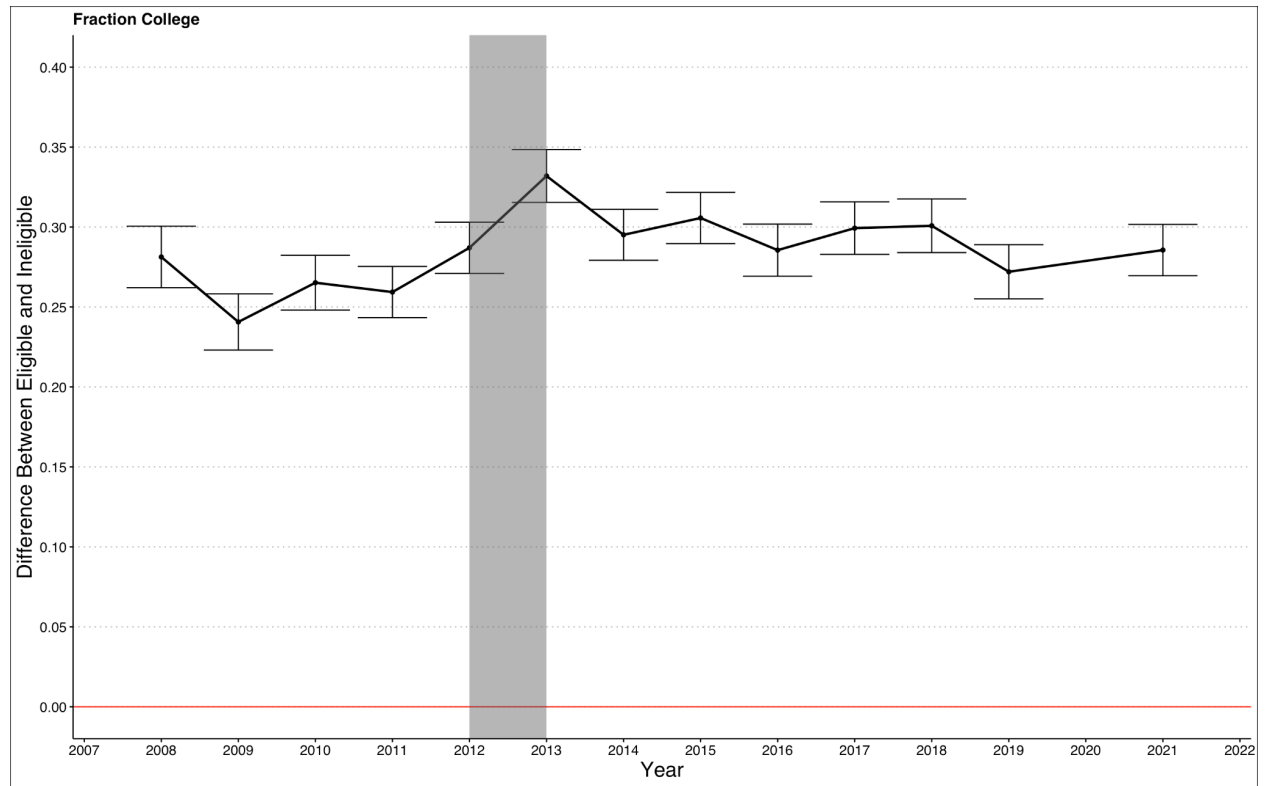


Figures 3-9: Differences in Means for DACA Eligible and Ineligible Groups

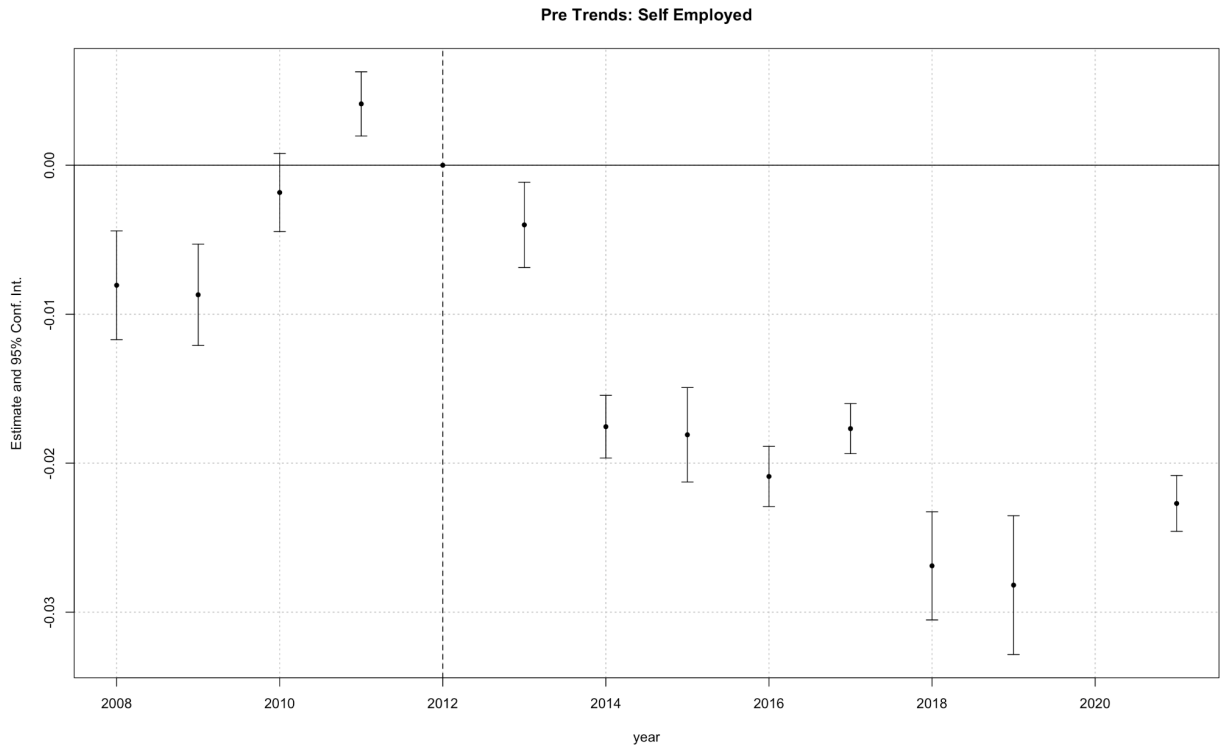
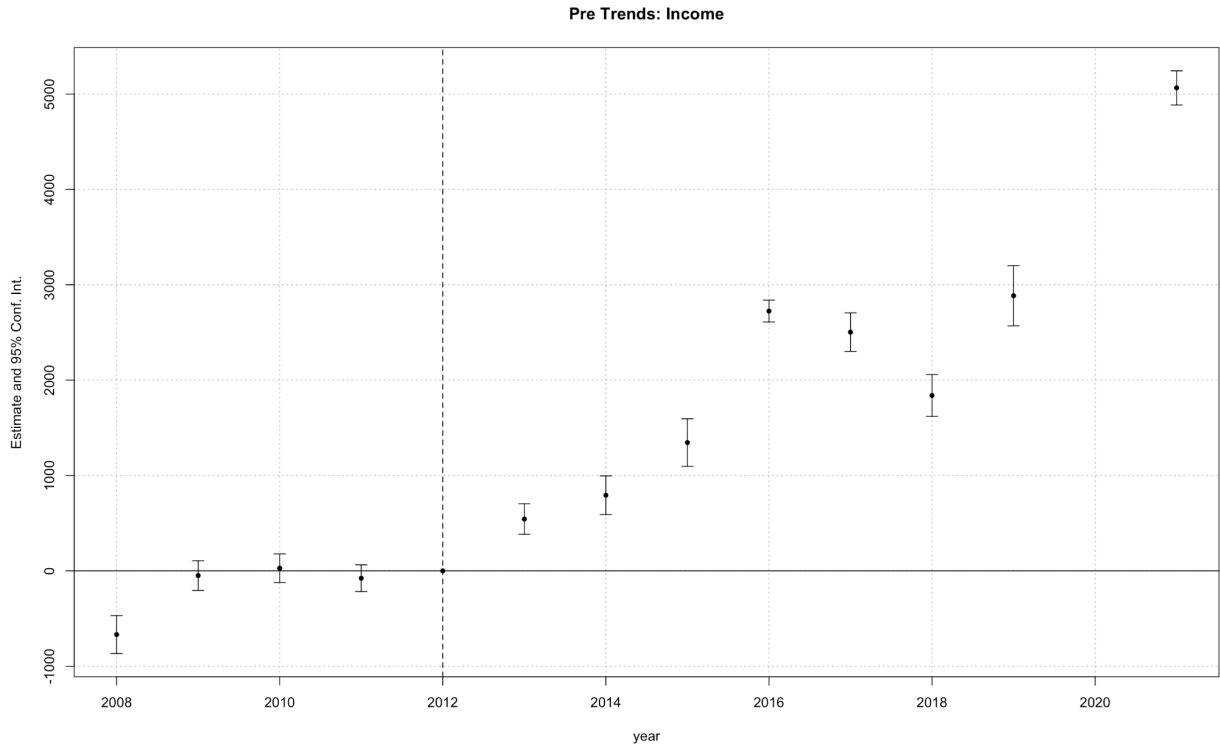


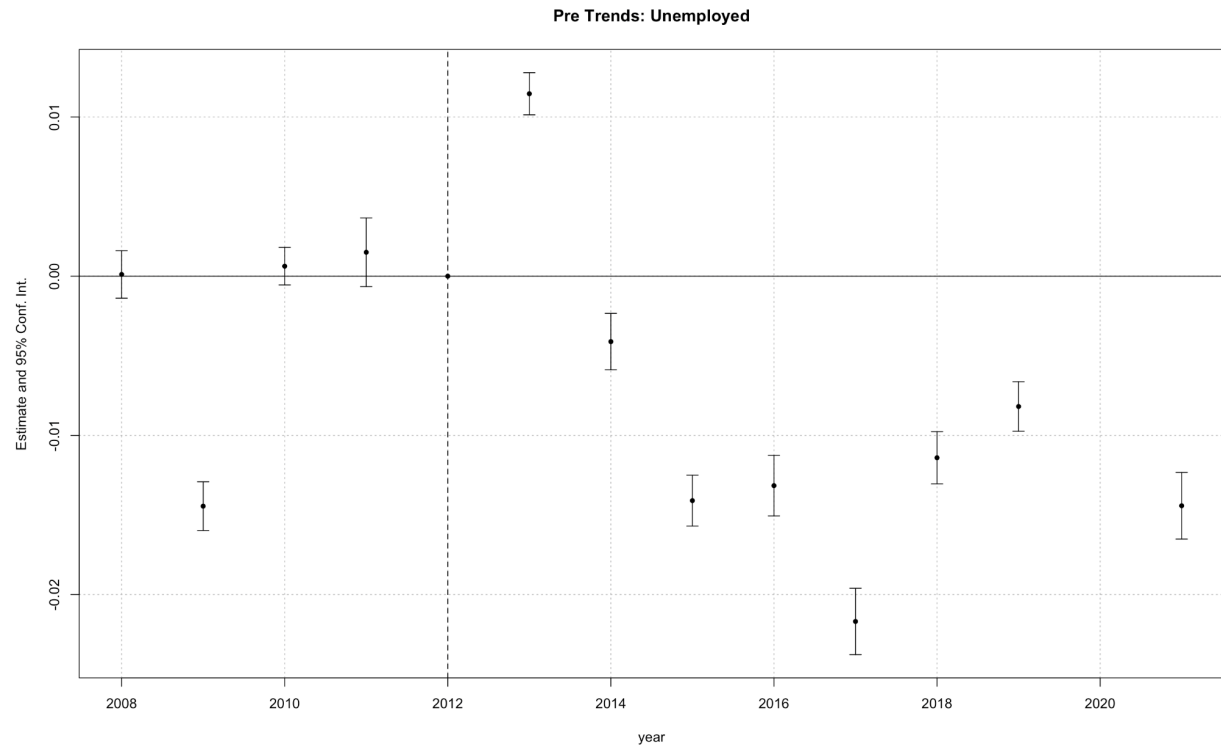


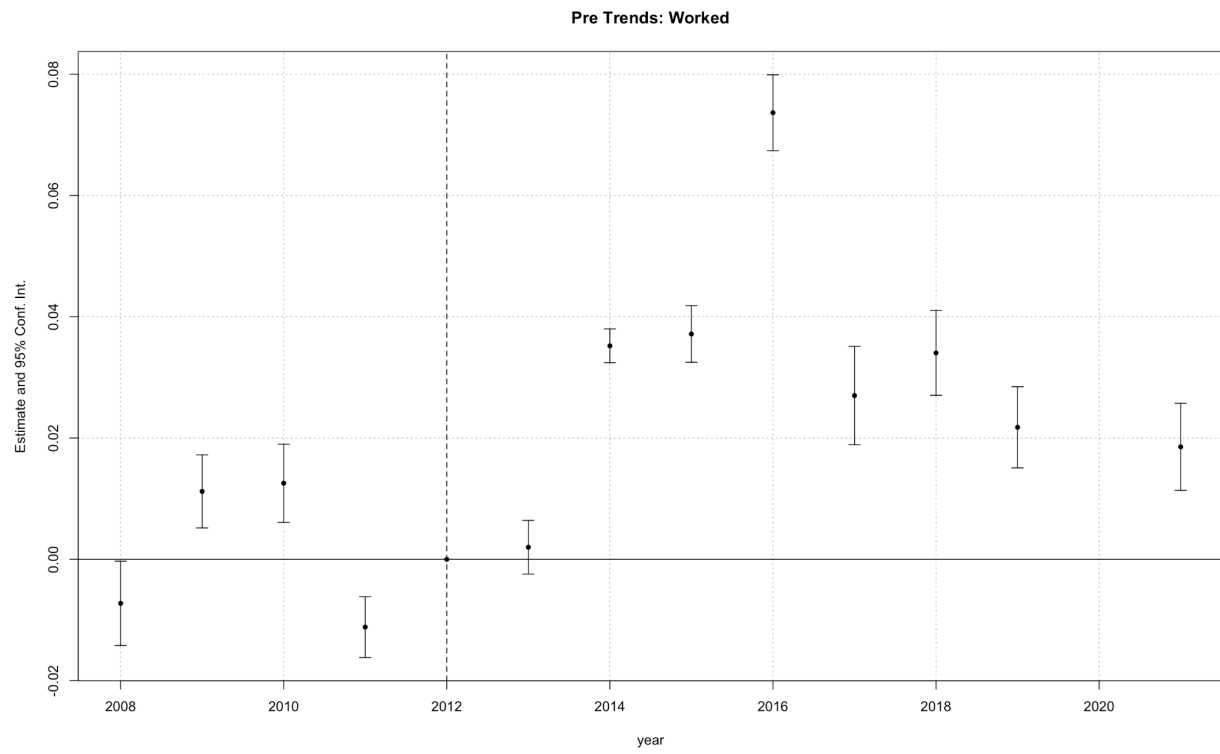
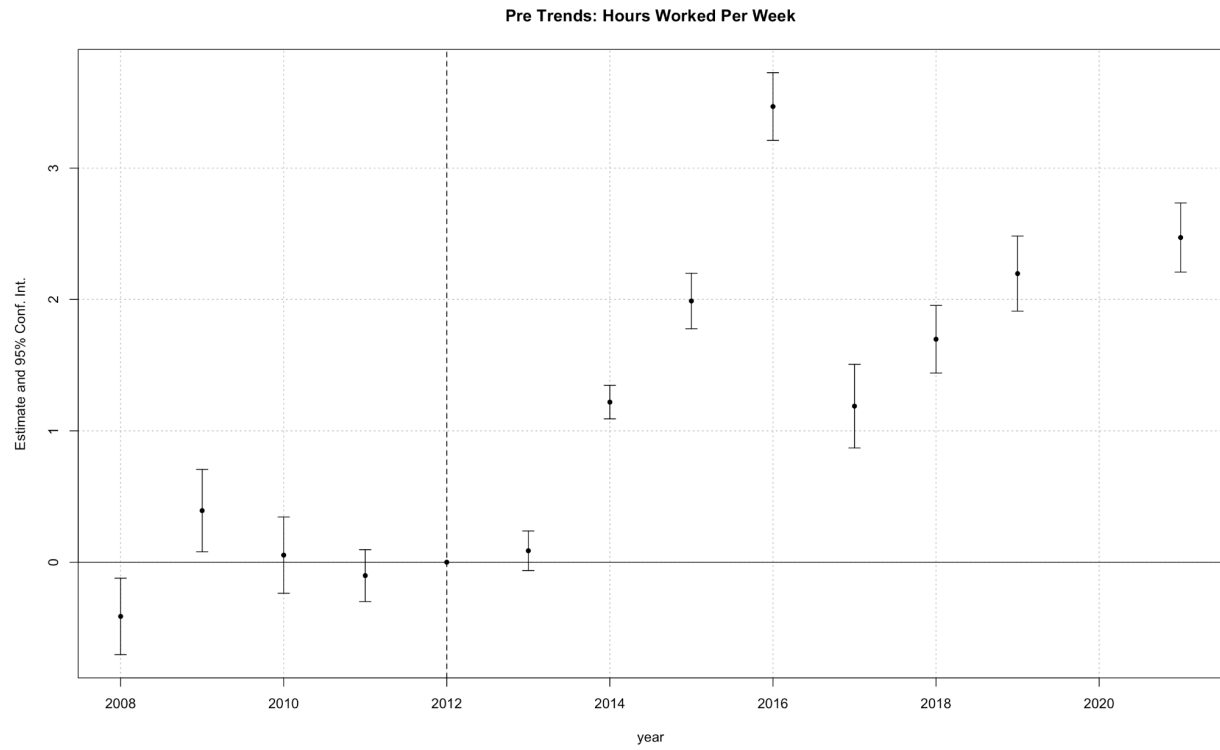




Figures 10-16: Pre Trends







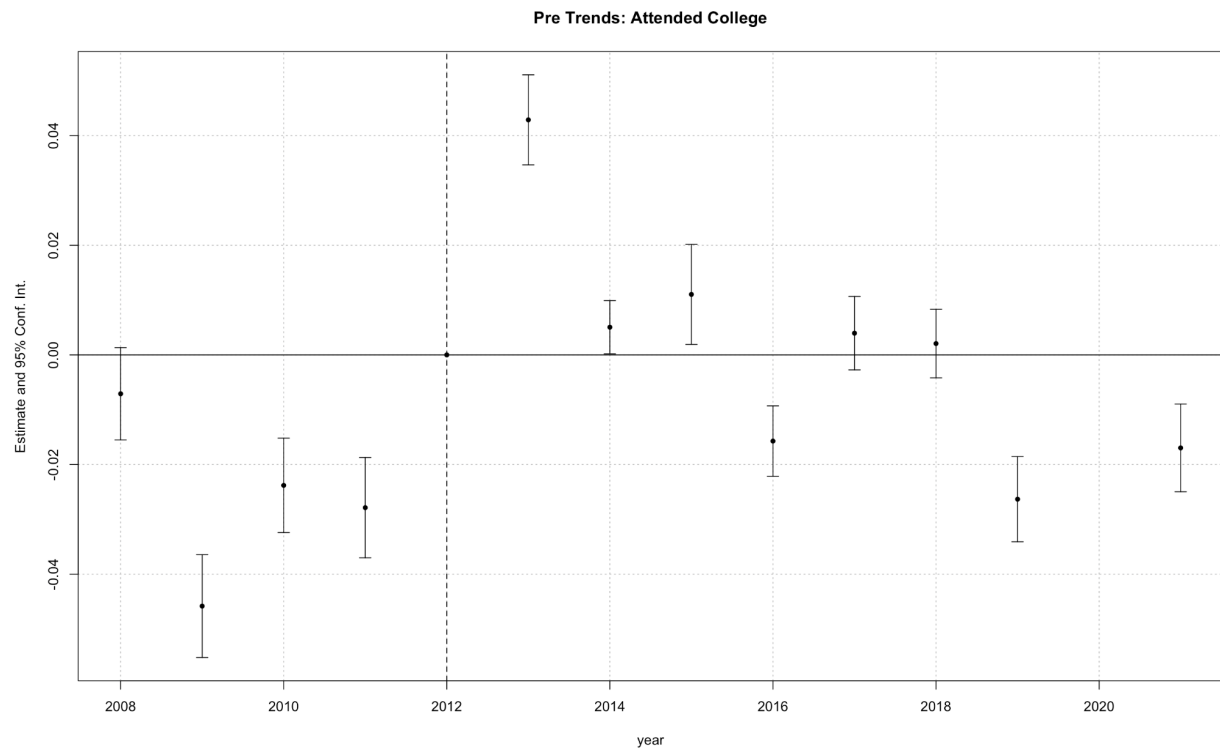
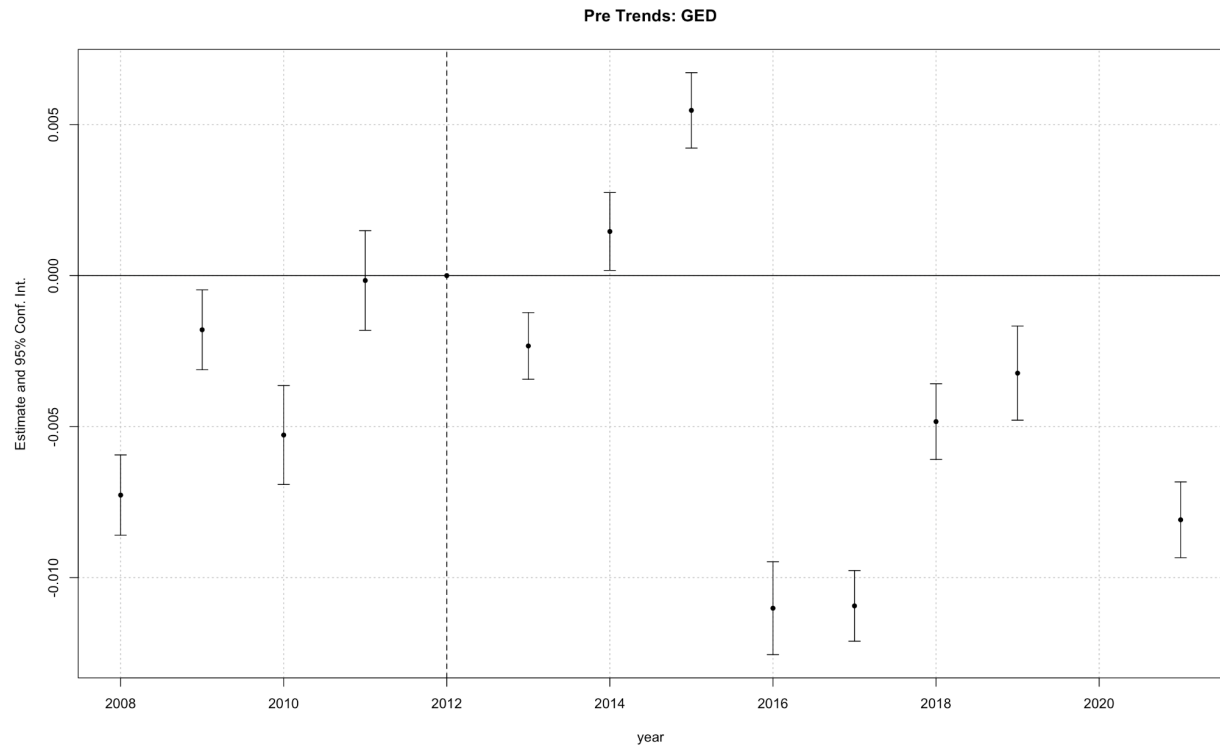


Table 1: Difference in Means for DACA Eligible and Ineligible

Non-citizen Mexicans Ages 18-40: DACA Eligible vs. Ineligible in California

	Daca Eligible (N=13333)		Ineligible (N=64062)		Diff. in Means
	Mean	Std. Dev.	Mean	Std. Dev.	
age	25.34	4.95	26.67	5.00	1.34***
age of entry	6.45	4.61	14.89	7.24	8.44***
year of entry	1995.58	5.75	2001.20	6.97	5.62***
income	16936.05	20913.33	14261.45	17985.16	-2674.60***
hours worked per week	27.03	18.20	26.77	19.13	-0.25
years of education	12.65	0.88	10.26	2.92	-2.38***
years living in US	18.88	6.06	11.78	6.91	-7.10***

***Significant at the 1% level. **Significant at the 5% level. *Significant at the 10% Level.

Table 2 and 3: DiD Results

Table 2: Labor

Non-Citizen Mexicans Ages 18-40: Labor Outcomes

	Worked	Unemployed	Income	Hours Worked	Self Employed
daca eligible * post daca	0.031***	-0.007	2286.405***	1.800***	-0.017***
	(0.009)	(0.004)	(467.160)	(0.378)	(0.003)
daca eligible	0.026***	-0.001	346.859	0.178	0.006**
	(0.005)	(0.003)	(296.231)	(0.177)	(0.002)
Num.Obs.	67297	67297	67297	67297	67297
R2	0.222	0.027	0.237	0.247	0.038
Std.Errors	by: year	by: year	by: year	by: year	by: year

This table reports the estimate from the DiD equation with all controls and fixed effects. ***Significant at the 1% level. **Significant at the 5% level. *Significant at the 10% Level.

Table 3: Education

Non-Citizen Mexicans Ages 18-40: Educational Outcomes

	GED	Attended College
daca eligible * post daca	-0.001	0.022*
	(0.003)	(0.012)
daca eligible	0.019***	0.241***
	(0.001)	(0.008)
Num.Obs.	74172	74172
R2	0.017	0.113
Std.Errors	by: year	by: year

This table reports the estimate from the DiD equation with all controls and fixed effects. ***Significant at the 1% level. **Significant at the 5% level. *Significant at the 10% Level.