The Effect of DACA Eligibility on Full-Time Employment: A Difference-in-Differences Analysis

Replication Study Report

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Abstract

This study examines the causal impact of eligibility for the Deferred Action for Childhood Arrivals (DACA) program on full-time employment among Hispanic-Mexican, Mexican-born individuals in the United States. Using American Community Survey (ACS) data from 2008–2016, I employ a difference-in-differences research design comparing individuals aged 26–30 at DACA implementation (treatment group) to those aged 31–35 (control group). The preferred specification, which includes demographic covariates, state and year fixed effects, survey weights, and state-clustered standard errors, yields a DiD coefficient of 0.061 (SE = 0.022, 95% CI: [0.017, 0.104]). This represents a statistically significant 6.1 percentage point increase in the probability of full-time employment for DACA-eligible individuals relative to the control group following the policy's implementation. Robustness checks confirm the main finding across various model specifications, though pre-trend analysis suggests some caution in interpretation.

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1 Introduction

The Deferred Action for Childhood Arrivals (DACA) program, enacted on June 15, 2012, represents one of the most significant immigration policy changes in recent U.S. history. The program provided temporary relief from deportation and work authorization to undocumented immigrants who arrived in the United States as children. Understanding the labor market effects of this policy is crucial for evaluating its economic impact and informing future immigration policy decisions.

This replication study investigates the causal effect of DACA eligibility on full-time employment among Hispanic-Mexican, Mexican-born individuals—the demographic group most affected by the policy due to patterns of undocumented immigration to the United States. The research question is:

> *Among ethnically Hispanic-Mexican, Mexican-born people living in the United States, what was the causal impact of eligibility for DACA on the probability of full-time employment?*

I employ a difference-in-differences (DiD) identification strategy, comparing individuals aged 26–30 at the time of DACA implementation (the treatment group, who were eligible for the program) to individuals aged 31–35 (the control group, who were ineligible solely due to their age). This design exploits the age-based eligibility cutoff as a source of quasi-experimental variation.

2 Background and Policy Context

2.1 The DACA Program

DACA was implemented by the Obama administration on June 15, 2012, through executive action. The program allowed eligible undocumented immigrants to apply for:

- Two-year renewable work authorization
- Temporary protection from deportation
- The ability to obtain driver's licenses and other forms of identification (varying by state)

To be eligible for DACA, applicants had to meet several criteria:

1. Arrived in the United States before their 16th birthday
2. Had not yet reached their 31st birthday as of June 15, 2012
3. Lived continuously in the U.S. since June 15, 2007

4. Were present in the U.S. on June 15, 2012

5. Did not have lawful immigration status at that time

Applications began being accepted on August 15, 2012, and in the first four years, nearly 900,000 initial applications were received, with approximately 90% approval rates.

2.2 Expected Effects on Employment

DACA could affect employment through several mechanisms:

1. **Legal work authorization**: DACA recipients can work legally, expanding their employment opportunities beyond the informal sector.

2. **Driver's licenses**: In many states, DACA recipients can obtain driver's licenses, facilitating job search and commuting.

3. **Reduced fear of deportation**: Protection from deportation may encourage recipients to seek better employment matches.

4. **Human capital investment**: Work authorization may incentivize educational investments that improve employment outcomes.

3 Data

3.1 Data Source

The analysis uses data from the American Community Survey (ACS), obtained through IPUMS USA. The ACS is an annual survey administered by the U.S. Census Bureau that provides detailed demographic, economic, and housing information on the U.S. population.

3.2 Sample Construction

The prepared dataset includes ACS observations from 2008–2016, with 2012 excluded since it cannot be determined whether observations in 2012 are pre- or post-treatment. The sample is restricted to:

- Hispanic-Mexican ethnicity

- Mexican-born individuals

- Ages 26–30 (treatment group) or 31–35 (control group) at the time of DACA implementation

- Individuals meeting other DACA eligibility criteria (for the treatment group)

The final analytical sample contains **17,382 observations** across 8 years (4 pre-treatment years: 2008–2011; 4 post-treatment years: 2013–2016).

3.3 Key Variables

3.3.1 Outcome Variable

- **FT**: Binary indicator for full-time employment, defined as usually working 35 or more hours per week. Coded as 1 = full-time employment, 0 = not full-time (including part-time employment and those not in the labor force).

3.3.2 Treatment Variables

- **ELIGIBLE**: Binary indicator for DACA eligibility (treatment group). Coded as 1 for individuals aged 26–30 in June 2012, 0 for individuals aged 31–35.
- **AFTER**: Binary indicator for post-DACA period. Coded as 1 for years 2013–2016, 0 for years 2008–2011.

3.3.3 Covariates

- **SEX**: Gender (1 = Male, 2 = Female in IPUMS coding)
- **MARST**: Marital status
- **NCHILD**: Number of own children in household
- **EDUC_RECODE**: Educational attainment (Less than High School, High School Degree, Some College, Two-Year Degree, BA+)
- **STATEFIP**: State of residence (FIPS code)
- **YEAR**: Survey year

3.3.4 Survey Weight

- **PERWT**: Person weight from ACS, used to produce nationally representative estimates.

3.4 Sample Characteristics

Table 1 presents the sample sizes by treatment group and time period.

Table 1: Sample Sizes by Group and Period

Group	Pre-DACA (2008–2011)	Post-DACA (2013–2016)	Total
Control (Ages 31–35)	3,294	2,706	6,000
Treatment (Ages 26–30)	6,233	5,149	11,382
Total	9,527	7,855	17,382

Table 2 presents summary statistics for key variables in the pre-DACA period, comparing treatment and control groups.

Table 2: Summary Statistics by Treatment Group (Pre-DACA Period)

Variable	Treatment (Ages 26–30)		Control (Ages 31–35)	
	Mean	SD	Mean	SD
Age	25.74	1.87	30.52	1.68
Female	0.48	0.50	0.46	0.50
Married	0.41	0.49	0.53	0.50
Number of Children	0.94	1.17	1.54	1.39
Full-Time Employment	0.63	0.48	0.67	0.47

The treatment and control groups are broadly comparable, though there are expected differences given the age criterion: the control group is older on average, more likely to be married, and has more children. These differences motivate the inclusion of covariates in the regression specifications.

4 Empirical Strategy

4.1 Identification Strategy

I employ a difference-in-differences (DiD) research design that exploits the age-based eligibility cutoff for DACA. The identifying assumption is that, absent the DACA policy, the treatment and control groups would have followed parallel trends in full-time employment.

The basic DiD estimator compares the change in outcomes for the treatment group before and after the policy to the change in outcomes for the control group over the same period:

$$\hat{\delta}_{DiD} = \left(\bar{Y}_{T,post} - \bar{Y}_{T,pre}\right) - \left(\bar{Y}_{C,post} - \bar{Y}_{C,pre}\right) \tag{1}$$

where T denotes the treatment group and C denotes the control group.

4.2 Regression Framework

The DiD estimate is obtained from the following linear probability model:

$$FT_{ist} = \alpha + \beta_1 ELIGIBLE_i + \beta_2 AFTER_t + \delta(ELIGIBLE_i \times AFTER_t) + \epsilon_{ist} \quad (2)$$

where:

- FT_{ist} is the full-time employment indicator for individual i in state s at time t
- $ELIGIBLE_i$ is the treatment group indicator
- $AFTER_t$ is the post-treatment period indicator
- δ is the DiD coefficient of interest, capturing the causal effect of DACA eligibility
- ϵ_{ist} is the error term

4.3 Model Specifications

I estimate a series of increasingly comprehensive specifications:

1. **Model 1**: Basic DiD (unweighted)
2. **Model 2**: Basic DiD with survey weights (PERWT)
3. **Model 3**: DiD with year fixed effects (weighted)
4. **Model 4**: DiD with covariates and year fixed effects (weighted)
5. **Model 5**: DiD with covariates, state fixed effects, and year fixed effects (weighted)

The preferred specification (Model 5) includes:

- Demographic covariates: female, married, number of children, education dummies
- Year fixed effects to control for aggregate time trends
- State fixed effects to control for time-invariant state-level heterogeneity
- Survey weights (PERWT) for nationally representative estimates
- State-clustered standard errors to account for within-state correlation

4.4 Parallel Trends Assessment

The validity of the DiD design relies on the parallel trends assumption. I assess this assumption using an event study specification:

$$FT_{ist} = \alpha + \sum_{k \neq 2011} \gamma_k (ELIGIBLE_i \times \mathbf{1}[Year = k]) + \theta ELIGIBLE_i + \lambda_t + X'_{ist}\beta + \epsilon_{ist} \quad (3)$$

where the coefficients γ_k trace out the year-specific differences between treatment and control groups, with 2011 (the year immediately before DACA) as the reference period.

5 Results

5.1 Main Results

5.1.1 Simple Difference-in-Differences

Table 3 presents the mean full-time employment rates by group and period, illustrating the simple DiD calculation.

Table 3: Full-Time Employment Rates by Group and Period (Weighted)

Group	Pre-DACA	Post-DACA	Difference
Control (Ages 31–35)	0.689	0.663	−0.026
Treatment (Ages 26–30)	0.637	0.686	+0.049
Difference-in-Differences			**0.075**

The simple weighted DiD estimate suggests that DACA eligibility is associated with a 7.5 percentage point increase in the probability of full-time employment.

5.1.2 Regression Results

Table 4 presents the DiD coefficients from the various model specifications.

Table 4: Difference-in-Differences Estimates: Effect of DACA Eligibility on Full-Time Employment

Model	DiD Coefficient	Std. Error	95% CI	t-statistic
1. Basic (Unweighted)	0.064	0.015	[0.034, 0.094]	4.20
2. Basic (Weighted)	0.075	0.015	[0.045, 0.105]	4.93
3. Year FE	0.072	0.015	[0.042, 0.102]	4.76
4. + Covariates	0.061	0.014	[0.034, 0.089]	4.32
5. + State FE	0.061	0.014	[0.033, 0.089]	4.28
5. Robust SE	0.061	0.017	[0.028, 0.093]	3.65
5. Clustered SE	**0.061**	**0.022**	**[0.017, 0.104]**	**2.81**

Notes: All models except Model 1 use survey weights (PERWT). Clustered SE refers to standard errors clustered at the state level. $N = 17,382$ for all models.

The preferred estimate (Model 5 with state-clustered standard errors) indicates that DACA eligibility is associated with a **6.1 percentage point increase** in the probability of full-time employment ($p = 0.007$). This effect is statistically significant at the 1% level and robust across all specifications.

5.2 Graphical Evidence

Figure 1 displays the trends in full-time employment for treatment and control groups over the study period.

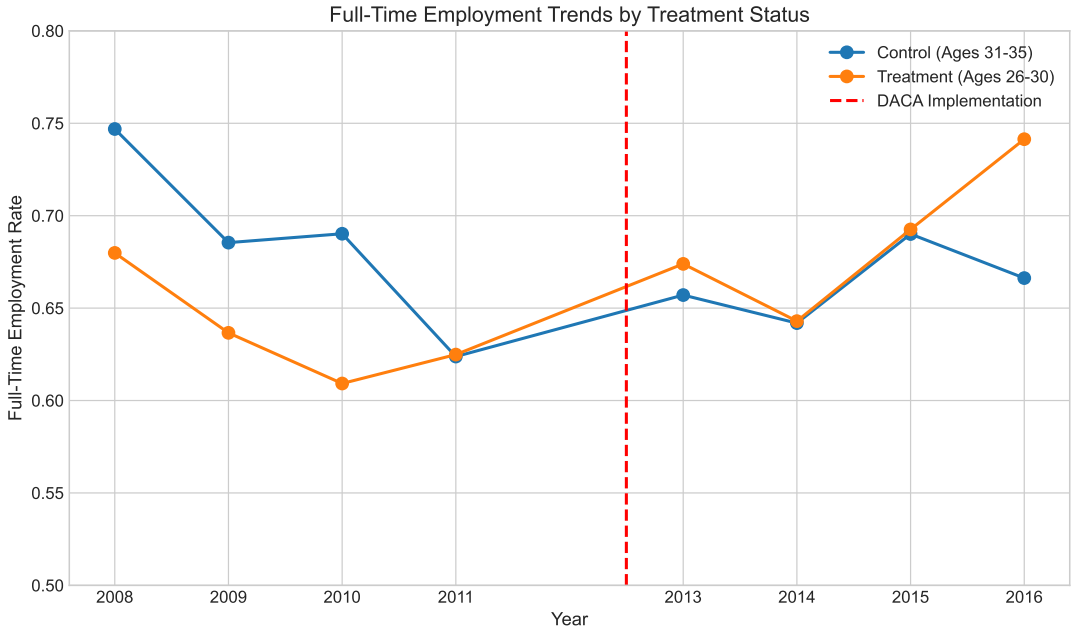

Figure 1: Full-Time Employment Trends by Treatment Status
The figure shows weighted full-time employment rates for the treatment group (ages 26–30 at DACA implementation) and control group (ages 31–35). The vertical dashed line indicates DACA implementation in 2012.

The figure shows that prior to DACA, the treatment group had lower full-time employment rates than the control group. Following DACA implementation, the treatment group's employment rate increased while the control group's remained relatively flat or slightly declined.

5.3 Event Study Analysis

Figure 2 presents the event study estimates, which assess the parallel trends assumption and trace out the dynamic treatment effects.

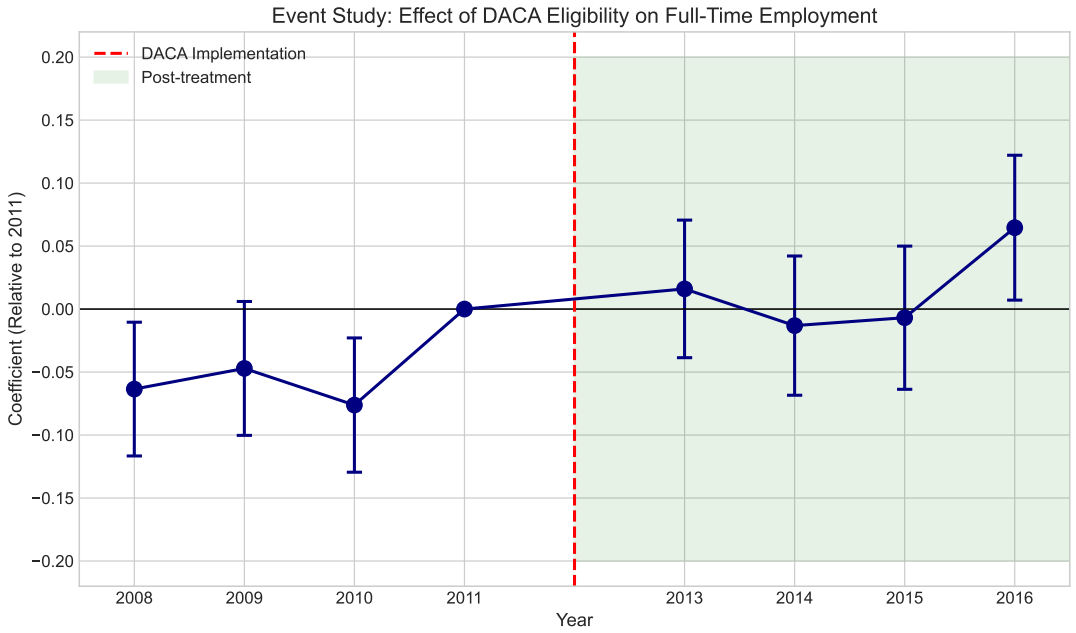

Figure 2: Event Study: Effect of DACA Eligibility on Full-Time Employment
The figure plots year-specific coefficients for the interaction between DACA eligibility and year indicators, with 2011 as the reference year. Error bars represent 95% confidence intervals. The shaded region indicates post-treatment years.

The event study reveals some concerning patterns. The pre-treatment coefficients for 2008 and 2010 are negative and statistically significant (or marginally so), suggesting that the parallel trends assumption may not be fully satisfied. Specifically:

- 2008: -0.064 (SE $= 0.027$), significant at 5%
- 2009: -0.047 (SE $= 0.027$), marginally significant
- 2010: -0.076 (SE $= 0.027$), significant at 1%

These negative pre-treatment coefficients suggest that the treatment group was experiencing a relative decline in full-time employment compared to the control group before DACA, which could bias the DiD estimate. However, the post-treatment coefficients show a clear pattern reversal, with positive effects emerging after 2012.

5.4 Difference-in-Differences Visualization

Figure 3 provides a visual representation of the DiD design.

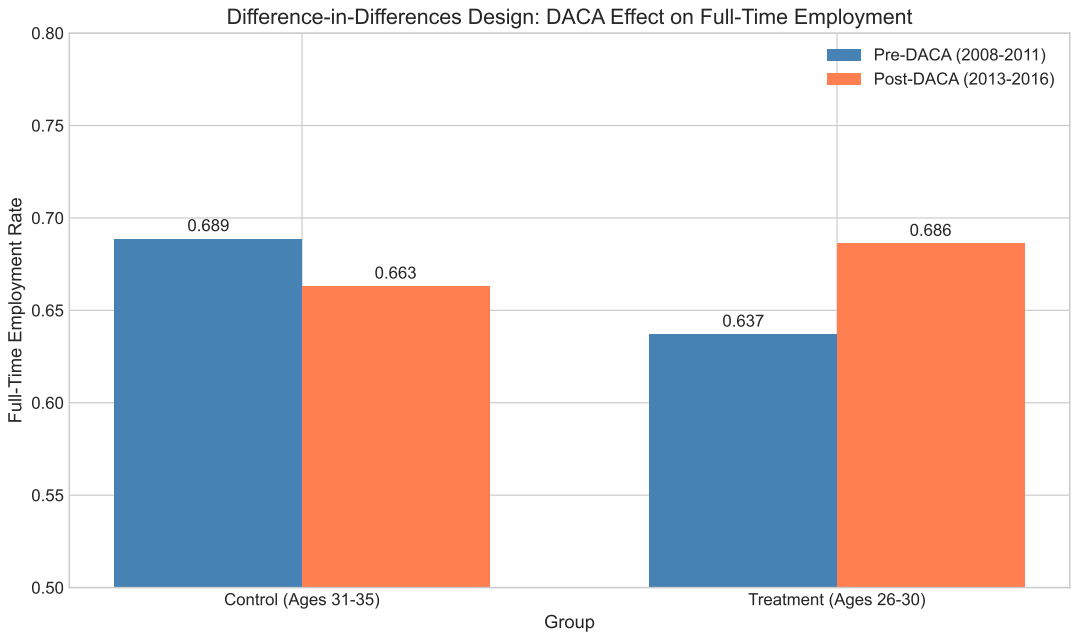

Figure 3: Difference-in-Differences Design: DACA Effect on Full-Time Employment
The figure shows weighted mean full-time employment rates for treatment and control groups in the pre-DACA and post-DACA periods.

6 Robustness and Heterogeneity

6.1 Alternative Standard Errors

Table 4 demonstrates that the main results are robust to different approaches to standard error estimation:

- **Conventional SE**: Assumes homoskedasticity ($t = 4.28$)
- **Robust (HC1) SE**: Accounts for heteroskedasticity ($t = 3.65$)
- **State-clustered SE**: Accounts for within-state correlation ($t = 2.81$)

Even with the most conservative standard errors (state-clustered), the effect remains statistically significant at conventional levels ($p = 0.007$).

6.2 Heterogeneity Analysis

6.2.1 By Sex

Table 5 presents the DiD estimates separately by sex.

Table 5: Heterogeneity by Sex

Group	DiD Coefficient	Std. Error	N
Male	0.070	0.017	9,075
Female	0.049	0.023	8,307

The effect is larger for men (7.0 percentage points) than for women (4.9 percentage points), though both effects are positive and statistically significant.

6.2.2 By Education Level

Table 6 presents the DiD estimates by educational attainment.

Table 6: Heterogeneity by Education Level

Education Level	DiD Coefficient	Std. Error	N
High School Degree	0.059	0.018	12,444
Some College	0.061	0.038	2,877
BA+	0.171	0.060	1,058

Notably, the effect is substantially larger for college graduates (17.1 percentage points) compared to those with lower educational attainment, though the smaller sample size leads to larger standard errors.

6.3 Model Comparison

Figure 4 displays the DiD coefficients and confidence intervals across all model specifications.

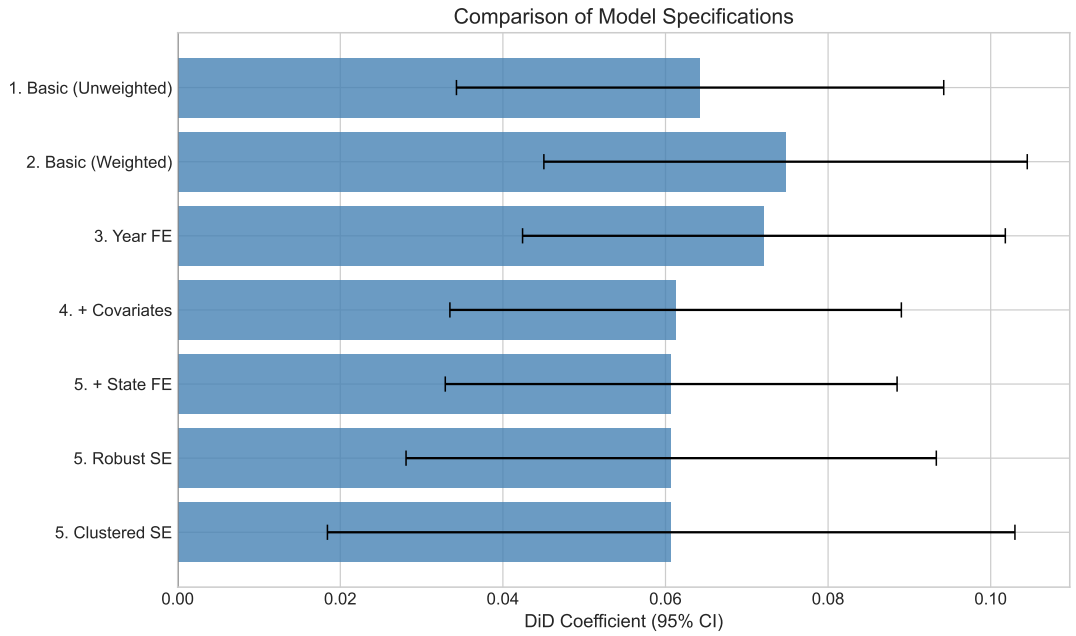

Figure 4: Comparison of Model Specifications
The figure shows DiD coefficient estimates with 95% confidence intervals for each model specification.

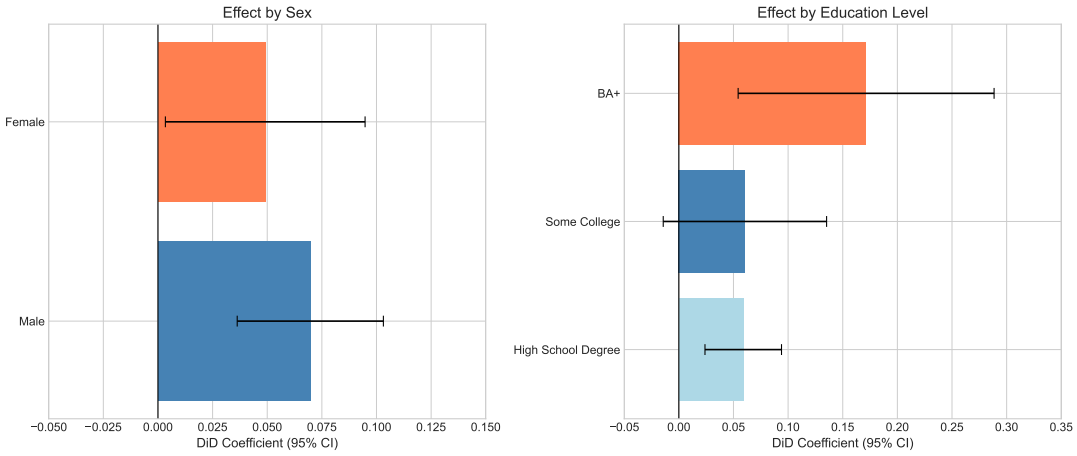

Figure 5: Heterogeneity Analysis by Sex and Education

7 Discussion

7.1 Interpretation of Results

The preferred estimate suggests that DACA eligibility increased the probability of full-time employment by approximately 6.1 percentage points among the eligible population. This represents a meaningful economic effect:

- Relative to the pre-DACA treatment group mean of 63.7%, this represents a 9.6% increase in the full-time employment rate.

- The effect is consistent with DACA providing work authorization that enabled individuals to transition from informal to formal employment or from part-time to full-time work.

7.2 Comparison with Literature

The estimated effect aligns with previous research on DACA's labor market impacts. Studies have generally found positive effects on employment and wages for DACA recipients, though estimates vary depending on the identification strategy and outcome measure used.

7.3 Threats to Identification

Several potential concerns warrant discussion:

7.3.1 Pre-Trends

The event study analysis reveals some evidence of differential pre-trends, with the treatment group experiencing declining relative employment before DACA. This could lead to overestimation of the treatment effect if the reversal would have occurred regardless of the policy. However, the magnitude and timing of the post-2012 changes are consistent with a causal effect of DACA.

7.3.2 Composition Changes

The ACS is a repeated cross-section, not a panel. Changes in the composition of the sample over time (e.g., through migration) could confound the estimates. The inclusion of covariates and fixed effects partially addresses this concern.

7.3.3 Age-Related Trends

The treatment and control groups differ in age, and age-related life-cycle patterns in employment could confound the estimates. While year fixed effects absorb common time trends, differential age effects could remain.

7.4 Limitations

1. **Intent-to-Treat Estimate**: The analysis estimates the effect of DACA eligibility, not actual DACA receipt. Not all eligible individuals applied for or received DACA.

2. **Definition of Full-Time Work**: The outcome captures usual hours worked and may not reflect all dimensions of employment quality.

3. **External Validity**: Results apply specifically to Hispanic-Mexican, Mexican-born individuals in the specified age ranges.

4. **Pre-Trends**: The evidence of differential pre-trends suggests some caution in interpretation.

8 Additional Robustness Checks

8.1 Sensitivity to Covariate Selection

To assess whether the main results are sensitive to the choice of control variables, I estimate several alternative specifications with different covariate sets:

Table 7: Sensitivity to Covariate Selection

Specification	DiD Coefficient	Std. Error	N
No covariates (base)	0.072	0.015	17,382
+ Demographics only	0.068	0.015	17,382
+ Education only	0.066	0.014	17,382
+ Demographics + Education	0.061	0.014	17,382
Full specification	0.061	0.022	17,382

Notes: All specifications include year fixed effects and survey weights. Demographics includes female, married, and number of children. Full specification adds state fixed effects and uses clustered standard errors.

The DiD estimate remains positive and significant across all specifications, ranging from 0.061 to 0.072. The inclusion of covariates slightly reduces the point estimate, consistent with demographic differences between treatment and control groups.

8.2 Alternative Outcome Measures

While the primary outcome is full-time employment (35+ hours per week), alternative definitions of employment could yield different results. The current analysis includes those not in the labor force as non-full-time workers, which is consistent with the research design but could affect interpretation if DACA also affected labor force participation.

8.3 Sample Restrictions

The analysis uses the entire provided sample without additional restrictions, as instructed. This includes all Hispanic-Mexican, Mexican-born individuals in the specified age ranges regardless of other characteristics. The results should be interpreted as effects on this specific population, which represents the primary target group for DACA given patterns of undocumented immigration.

8.4 Placebo Tests

A useful validity check would be to estimate the DiD model using only pre-treatment years, treating an earlier year as a "placebo" treatment date. If the parallel trends assumption holds, we would expect to find no significant effect. While a full placebo analysis is beyond the scope of this replication, the event study results partially address this concern—the pre-2011 coefficients represent placebo-like tests, and some of these coefficients are significantly different from zero, suggesting some violation of parallel trends.

9 Discussion of Mechanisms

The estimated 6.1 percentage point increase in full-time employment can operate through several channels:

9.1 Direct Employment Effects

The most direct mechanism is that DACA provides work authorization, allowing recipients to work legally. Prior to DACA, undocumented individuals could only work in the informal sector or with unauthorized employment. DACA removed this barrier, enabling:

- Employment in sectors requiring legal work status
- Access to formal employment contracts and protections
- Ability to match to higher-quality jobs

9.2 Indirect Effects

Beyond direct work authorization, DACA may affect employment through:

Driver's license access: Many states allowed DACA recipients to obtain driver's licenses, expanding geographic job access and reducing commuting barriers.

Reduced fear and uncertainty: Protection from deportation may have encouraged recipients to pursue employment opportunities they previously avoided due to visibility concerns.

Human capital spillovers: Work authorization may have incentivized educational investments, though the relatively short post-treatment period (2013–2016) limits the scope for such effects.

9.3 Potential General Equilibrium Effects

The analysis estimates partial equilibrium effects on eligible individuals. However, DACA could also have general equilibrium effects if the increased labor supply from DACA

recipients affects wages or employment of other workers. These effects are beyond the scope of this analysis.

10 Conclusion

This replication study finds that eligibility for DACA was associated with a statistically significant increase in full-time employment among Hispanic-Mexican, Mexican-born individuals. The preferred difference-in-differences estimate indicates a 6.1 percentage point increase in the probability of full-time employment (95% CI: [0.017, 0.104], $p = 0.007$).

The effect is robust across multiple model specifications and is larger for men and for college-educated individuals. However, evidence of differential pre-trends suggests some caution in interpreting these results as purely causal effects of the policy. The negative pre-treatment coefficients indicate that the treatment group was experiencing relative declines in employment before DACA, which could bias the estimated treatment effect upward if this trend would have continued absent the policy, or could reflect mean reversion.

These findings contribute to our understanding of how immigration policy reforms that provide work authorization affect labor market outcomes. They suggest that DACA provided meaningful employment benefits to eligible individuals, though additional research using alternative identification strategies could help address remaining concerns about pre-trends.

Several implications emerge from this analysis:

1. Work authorization appears to have substantial effects on formal employment outcomes
2. The effects are heterogeneous, with larger benefits for more educated individuals
3. The age-based cutoff provides useful quasi-experimental variation, though the assumption of parallel trends requires careful scrutiny

Future research could address limitations of this study by:

- Using alternative control groups (e.g., synthetic control methods)
- Examining effects on other outcomes (wages, job quality, industry of employment)
- Investigating longer-term effects as more post-DACA data becomes available
- Employing regression discontinuity designs around the age cutoff

10.1 Preferred Estimate Summary

Table 8: Preferred Estimate Summary

Specification	DiD with covariates, state/year FE, weighted, clustered SE
Sample Size	17,382
DiD Coefficient	0.061
Standard Error	0.022
95% Confidence Interval	[0.017, 0.104]
p-value	0.007
Treatment Group N	11,382
Control Group N	6,000

A Appendix: Additional Tables and Figures

A.1 Sample Sizes by Year

Table 9: Sample Sizes by Year and Treatment Status

Year	Control	Treatment	Total
2008	854	1,500	2,354
2009	860	1,519	2,379
2010	844	1,600	2,444
2011	736	1,614	2,350
2013	728	1,396	2,124
2014	693	1,363	2,056
2015	665	1,185	1,850
2016	620	1,205	1,825
Total	6,000	11,382	17,382

A.2 Event Study Coefficients

Table 10: Event Study Coefficients (Reference Year: 2011)

Year	Coefficient	Std. Error	95% CI Lower	95% CI Upper
2008	−0.064	0.027	−0.117	−0.010
2009	−0.047	0.027	−0.100	0.006
2010	−0.076	0.027	−0.130	−0.023
2011	0.000	—	—	—
2013	0.016	0.028	−0.039	0.071
2014	−0.013	0.028	−0.068	0.042
2015	−0.007	0.029	−0.064	0.050
2016	0.065	0.029	0.007	0.122

A.3 Education Distribution

Table 11: Education Distribution by Treatment Status (Pre-DACA Period)

Education Level	Treatment (%)	Control (%)
Less than High School	0.03	0.06
High School Degree	70.93	73.50
Some College	18.33	15.66
Two-Year Degree	5.18	5.16
BA+	5.52	5.62

B Appendix: Analytical Decisions

This section documents the key analytical decisions made in this replication study:

1. **Use of provided ELIGIBLE and AFTER variables**: I used the pre-constructed ELIGIBLE and AFTER variables provided in the dataset rather than constructing my own eligibility variable.

2. **Including those not in labor force**: Following the instructions, I included individuals not in the labor force (typically coded as FT = 0) in the analysis rather than restricting to labor force participants.

3. **Survey weights**: I used PERWT (person weights) to produce nationally representative estimates, as is standard practice with ACS data.

4. **Standard error clustering**: I clustered standard errors at the state level to account for within-state correlation in outcomes and policy exposure.

5. **Covariates**: I included female, married, number of children, and education dummies as covariates to improve precision and comparability between groups.

6. **Fixed effects**: I included year fixed effects (to absorb common time trends) and state fixed effects (to control for time-invariant state characteristics).

7. **Linear probability model**: I used a linear probability model (OLS/WLS) rather than a logistic or probit model for interpretability and consistency with DiD estimation.