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DACA, Mobility Investments, and Economic Outcomes of Immigrants and Natives

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POLICY BRIEF

DACA, Mobility Investments, and Economic Outcomes of Immigrants and Natives

Jimena Villanueva Kiser and Riley Wilson

BRIEF HIGHLIGHTS

- *Obtaining legal status reduces uncertainty among immigrants, encouraging them to move for better economic opportunities at higher rates.*
- *After DACA was implemented, likely recipients became more likely to move—and to move to better labor markets—than similar immigrants who had just missed being eligible.*
- *The policy change led DACA-eligible individuals to shift into higher-paying occupations and positions that require licensure.*
- *Most of the labor market gains due to DACA arise from changes in human-capital investment decisions.*
- *Having greater numbers of DACA recipients in a labor market does not significantly affect employment levels of native-born workers; if anything, native-born workers experience slight gains in earnings.*

For additional details, see the full working paper at https://research.upjohn.org/up_workingpapers/395/.

Many studies demonstrate that geographic mobility and job mobility can improve economic outcomes such as employment and earnings. For example, by moving, individuals can find communities and labor markets that more closely match their skills or preferences. Similarly, job and occupation mobility can provide an opportunity for workers to match with better-suited jobs and move up the wage ladder. However, workers might be less willing to make these mobility investments when there is uncertainty about whether they will pay off.

This is particularly relevant for the more-than-11.4-million unauthorized immigrants in the United States who lack legal work status and face uncertainty about their future residency (Baker 2021). The risk of deportation may discourage individuals from engaging in costly geographic or occupational moves, as it decreases the probability that they will experience returns from the move. These investments might not only increase individual productivity, they could affect local labor market dynamism, leading to aggregate effects. With a sizable unauthorized population, as in the United States, this could generate large spillovers that benefit citizens and other legal residents.

After years of debate on immigration reform and failed legislation in Congress, President Barack Obama suddenly enacted Deferred Action for Childhood Arrivals (DACA) by executive order in 2012. DACA provides temporary work authorization and deferment of deportation to foreign-born immigrants who came to the United States as children without legal status. Removing uncertainty about their ability to work legally could increase unauthorized immigrants' willingness to engage in costly investments, leading to increased individual productivity and potential positive spillovers on aggregate productivity.

To be eligible, an individual must have arrived in the United States before age 16; must have been under the age of 31 when the policy went into place on June 15, 2012; had to be enrolled in school or have a high school diploma or its equivalent; and must not have been convicted of a felony or a significant misdemeanor. To avoid encouraging new unauthorized immigration, individuals were also required to have arrived by 2007 and to have continually resided in the U.S. since then. As such, eligibility status was predetermined five years before the policy was implemented.

Using microdata from the 2007–2019 American Community Survey, we estimate the effects of DACA legal protections on mobility investments by comparing outcomes of foreign-born Hispanic individuals who met all of the eligibility criteria (arrived before 2007 and when younger than age 16, were under age 31 as of June 2012, and satisfy the education requirements), relative to similar individuals who met all of the eligibility criteria except they arrived after their sixteenth birthday. We thus compare outcomes for individuals in the same birth cohorts, with similar characteristics, some of whom were eligible and some of whom were not. We find that after DACA implementation several things happened:

DACA, Mobility Investments, and Economic Outcomes of Immigrants and Natives

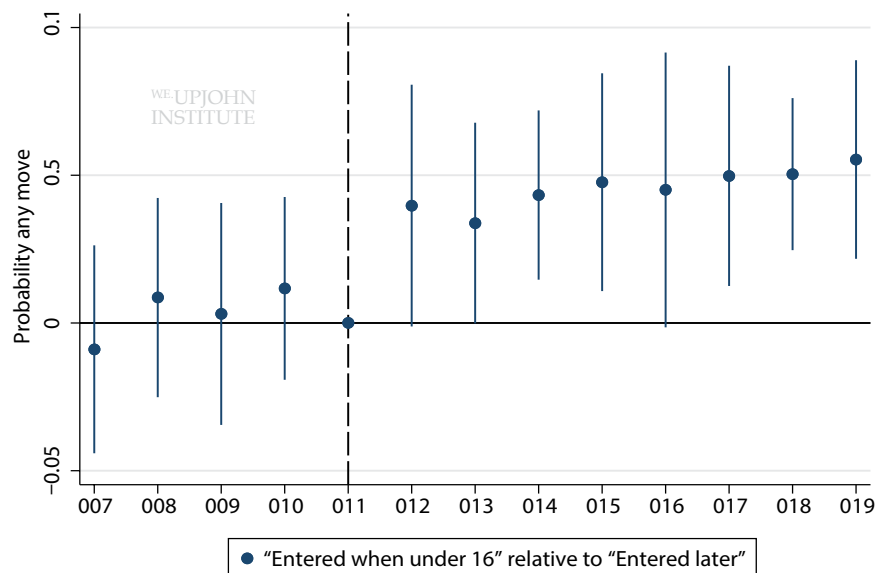
The risk of deportation may discourage individuals from engaging in costly geographic or occupational moves, as it decreases the probability that they will experience returns from the move.

1. DACA-eligible individuals were more likely to move to areas with higher average wages, consistent with more moves to economic opportunity.
2. DACA-eligible individuals tend to shift into occupations with higher median earnings, which often require occupational licenses, such as for teachers, nurses, child-care workers, and engineers.
3. Consistent with existing work (Pope 2016), the DACA-eligible are more likely to be employed (by 3.5 percentage points) and earn more, conditional on working. However, up to 85 percent of these earnings gains can be explained by human-capital investment behaviors, such as occupation choice and education.
4. U.S.-born individuals in DACA-dense areas did not experience declines in employment but instead saw significant increases in earnings, suggesting a positive spillover from immigrant legalization.

Impact of DACA on Geographic Mobility Investments

Using the comparison described above, we document DACA's effect on immigrants' locations over time. As seen in Figure 1, in the years before DACA is enacted, there is no appreciable difference in the likelihood of moving between immigrants who will become DACA-eligible and those who will just miss eligibility. However, after DACA is implemented in 2012, DACA-eligible individuals are about 4 percentage points (19 percent) more likely to have moved in the past year. This effect persists through the end of the sample in 2019. DACA-eligible individuals are 1.4 percentage points (23 percent) more likely to move out of the local area, which suggests that around one-third of DACA-induced moves are to different labor markets. Furthermore, there is a 0.6 percentage point increase in out-of-state moves among DACA-eligible individuals, indicating that the legal protections afforded by DACA have facilitated cross-state moves by young Hispanic noncitizens, representing a 20 percent increase relative to the mean.

Figure 1 Probability of Moving among DACA-Eligible Immigrants Relative to Barely Ineligible Immigrants



NOTE: The sample is restricted to Hispanic, foreign-born, noncitizen respondents to the 2007–2019 ACS born between July 1981 and December 1989. Eligible individuals must also meet the DACA education requirements as explained in the text. The estimates plot the differences between DACA-eligible and barely ineligible individuals, controlling for age, year, and previous-year state-of-residence fixed effects. The whiskers show 95 percent confidence intervals.

After DACA was implemented in 2012, DACA-eligible individuals were about 4 percentage points (19 percent) more likely to move, and to move to labor markets with average wages above the median.

In the full paper, we also show that, after 2012, DACA-eligible individuals were more likely to move to labor markets with above-median average wages, but not necessarily to labor markets with above-median employment rates. Overall, the results indicate that DACA induces eligible individuals to move to labor markets with higher wages, particularly for workers without college degrees, and to areas that have larger Hispanic populations and that are more urban. However, there is no evidence to suggest a specific preference for states that border Mexico.

The Impact of DACA on Occupational Mobility Investments

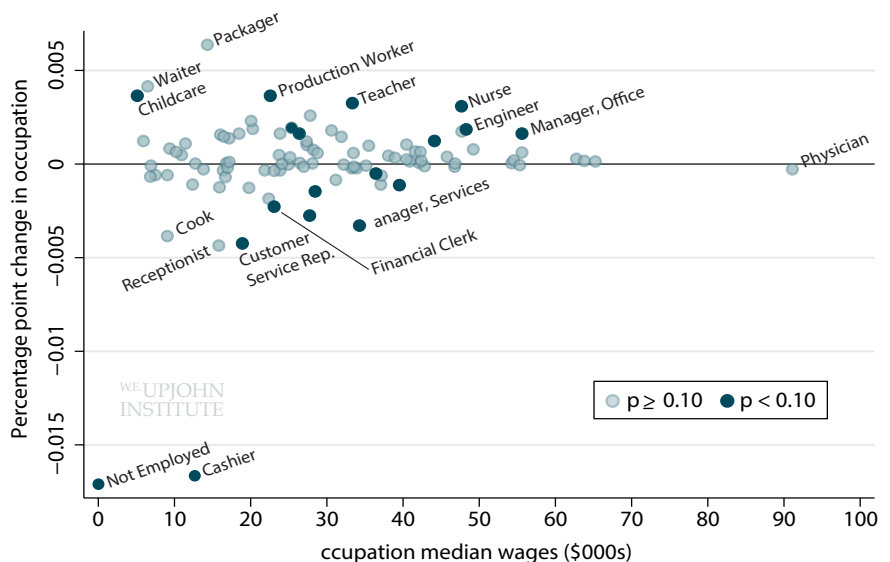
We next analyze the occupational distribution of DACA-eligible individuals relative to barely ineligible individuals, before and after DACA is implemented. As seen in Figure 2, DACA-eligible individuals became more likely to shift from entry-level service jobs (such as cashier and customer service representative) to skill-oriented occupations (such as child-care worker, production worker, teacher, nurse, engineer, and manager), which often are higher paying. Many of these occupations require state licensure and are not accessible to unauthorized immigrants.

More broadly, we show that after DACA’s enactment, eligible immigrants moved into occupations where native-born workers earn more. This increase in DACA workers is not solely driven by finding employment, but also by upward mobility among those employed. We explicitly test to see whether DACA affected employment in licensed occupations, and find that after the policy began, DACA-eligible individuals increased their representation in these occupations by 2 percentage points (7 percent), aligning with the shift to higher-paying occupations.

Impact of DACA on Economic Outcomes of the DACA-Eligible

Consistent with existing literature (Pope 2016), we find that DACA eligibility increased employment (by 3.5 percentage points) and earnings (by nearly \$1,350

Figure 2 Occupational Mobility among DACA-Eligible Immigrants Relative to Barely Ineligible Immigrants



NOTE: See note to Figure 1 regarding the sample. Each point is an estimate from a separate regression comparing the difference in probability of being in a given occupation between DACA-eligible and barely ineligible individuals, controlling for age, year, and previous-year state-of-residence fixed effects. Lighter-colored points refer to estimates not statistically different from 0 at a 90 percent confidence level, while darker-colored points are statistically different from 0 at a 90 percent confidence level.

DACA, Mobility Investments, and Economic Outcomes of Immigrants and Natives

DACA-eligible individuals shifted from entry-level service jobs to skill-oriented occupations, which often pay more and are typically inaccessible to unauthorized immigrants because they require state licensure.

annually). Even when we condition on employment, DACA boosts earnings by \$445, suggesting that workers move into better-paying jobs. Importantly, these changes in economic outcomes and human-capital investments might be related. Indeed, earlier work found that DACA increased the education of eligible individuals (Kuka, Shenhav, and Shih 2020). If we control for workers’ geographic location, occupation, and education, the estimated earnings effect of DACA on the DACA-eligible falls by 85 percent. This suggests that most of the earnings gains to individuals from DACA can be attributed to the human-capital investments they undertake. Occupation switching, in particular, plays an important role, implying that immigrant legalization can produce economic-mobility benefits.

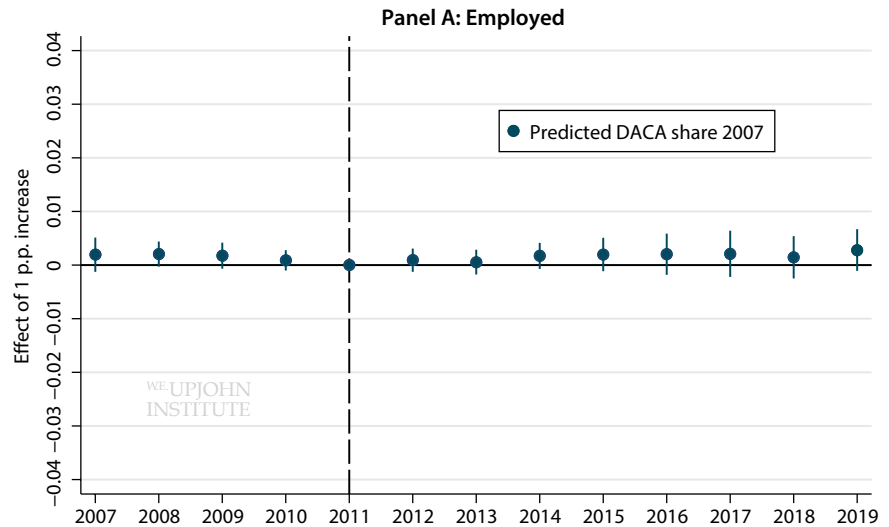
Do Native-Born Workers Bear the Cost of Immigrant Legalization?

DACA provides clear economic benefits to eligible unauthorized immigrants. However, a natural question to pose is, “Who bears the cost?” One common concern with immigration is the possibility of displacement of native workers. We exploit the DACA policy setting to shed new light on the spillover effects of immigrant legalization among U.S.-born workers.

Before 2012, the fraction of the population that would become eligible to receive DACA varied across different local labor markets in the United States. Thus, some local labor markets had greater exposure than others to the influx of DACA-eligible workers after the program was implemented in 2012. Additionally, some countries were larger sources of immigration to certain U.S. labor markets than others. We use these sources of variation to isolate the importance of additional DACA-eligible workers—as opposed to other factors—to the labor market outcomes of native workers.

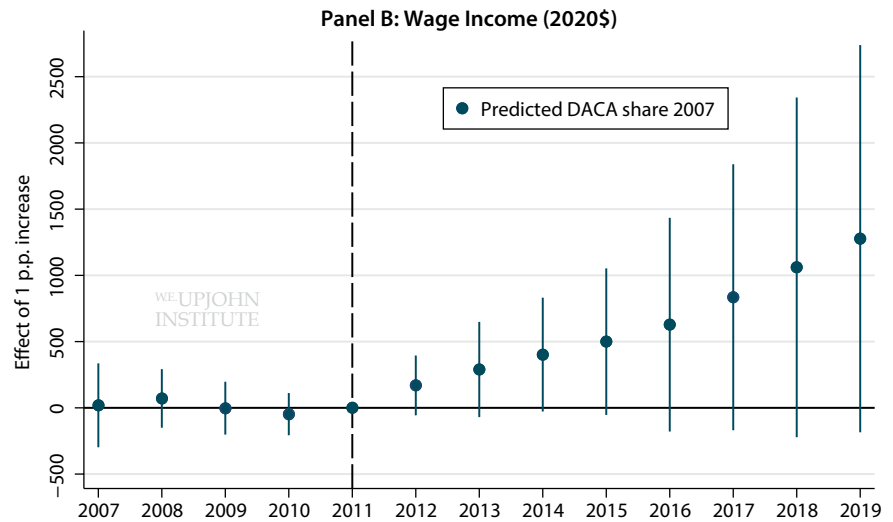
As seen in Figure 3, increases in the DACA-eligible share of the population have had essentially no impact on the employment of U.S.-born workers. This suggests that immigrant legalization does not displace native-born workers in aggregate. In fact, as shown in the second panel, a greater DACA-eligible share in a region leads to gains in earnings among U.S.-born workers in that area. The gains steadily rise after 2012, resulting in annual earnings nearly \$1,300 higher by 2019. These earnings increases are concentrated among older and more highly educated workers, as would be consistent with younger, less-educated immigrants complementing native-born labor.

Figure 3 Spillover Impact of DACA on Labor Market Outcomes of U.S.-Born Workers in the Commuting Zone



The earnings of U.S.-born workers rose steadily in labor markets that were more exposed to DACA legalization.

Figure 3 (continued)



NOTE: The sample is restricted to U.S.-born respondents to the 2007–2019 ACS, ages 18 to 65. The estimates plot the change in average outcomes (employment in Panel A, earnings in Panel B) for U.S.-born respondents per one percentage point increase in the 2007 predicted DACA share in the commuting zone of residence, controlling for age, year, and commuting-zone fixed effects. The whiskers show 95 percent confidence intervals.

Conclusion

We find that gaining legal status and work authorization through DACA leads to increased economic mobility among eligible immigrants. These workers are more likely than other undocumented immigrants to move to labor markets with higher wages and shift into skill-based occupations, including those that require licensure or credentialing. Immigrants experience better labor market outcomes after legalization, and the majority of these gains can be explained by changes in geographic location, occupation, and education.

Moreover, the significant economic benefits that legalization brings to immigrants are derived without apparent negative consequences for U.S.-born workers. We find that employment of U.S.-born workers is minimally affected when the labor market is exposed to more individuals who receive legal status through DACA. In fact, earnings of U.S.-born workers steadily increase in labor markets that have been more exposed to DACA legalization since its implementation in 2012. These findings suggest that native workers do not bear the costs of unauthorized immigrant legalization, and indicate instead the potential for positive local spillovers associated with such policies.

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