Economics Letters 147 (2016) 1–4

Contents lists available at ScienceDirect

Economics Letters

journal homepage: www.elsevier.com/locate/ecolet

Can authorization reduce poverty among undocumented immigrants? Evidence from the Deferred Action for Childhood Arrivals program

Catalina Amuedo-Dorantes [a], Francisca Antman [b,*]

[a] Department of Economics, San Diego State University, 5500 Campanile Dr., San Diego, CA 92182, United States

[b] Department of Economics, University of Colorado Boulder, 256 UCB, Boulder, CO 80309, United States

HIGHLIGHTS

- Can authorization reduce the poverty exposure of undocumented immigrants?
- We assess the poverty impact of the Deferred Action for Childhood Arrivals (DACA).
- We compare poverty rates of eligible and non-eligible migrants pre-post DACA.
- DACA reduced the likelihood of poverty for households with eligible heads by 38%.

ARTICLE INFO

Article history:
Received 23 January 2016
Received in revised form
2 July 2016
Accepted 3 August 2016
Available online 10 August 2016

JEL classification:
J15
I32

Keywords:
Immigration
Poverty
DACA

ABSTRACT

We explore the impact of authorization on the poverty exposure of households headed by undocumented immigrants. The identification strategy makes use of the 2012 Deferred Action for Childhood Arrivals (DACA) program, which provided a temporary work authorization and reprieve from deportation to eligible immigrants. Using a difference-in-differences approach, we compare DACA-eligible to DACA-ineligible likely unauthorized immigrants, before and after the program implementation. We find that DACA reduced the likelihood of life in poverty of households headed by eligible individuals by 38 percent, hinting at the gains from even temporary authorization programs.

Immigration policy continues to be the subject of heated debate in American politics, the media and the public at large. One of the most contentious issues in the 2016 presidential election is whether immigration reform should include a path to citizenship for unauthorized immigrants in the United States—a population estimated at about 11.7 million in 2012 (Passel et al., 2013). Special attention has been paid to the legality of President Obama's executive orders. First among those orders is the 2012 Deferred Action for Childhood Arrivals (DACA) program, which offers eligible immigrants a renewable two-year reprieve from deportation proceedings and work authorization.[1]

To explore the impact of authorization on the welfare of likely unauthorized immigrants, we use a quasi-experimental approach that focuses on the intent to treat and exploits the somewhat arbitrary criteria determining DACA eligibility. Our emphasis is on poverty given that unauthorized immigrants face poverty rates nearly twice as large as those of US-born individuals (Passel and Cohn, 2009). While unauthorized immigrants are especially vulnerable, their households are also home to millions of citizen children.

* Corresponding author.
E-mail addresses: camuedod@mail.sdsu.edu (C. Amuedo-Dorantes), Francisca.Antman@colorado.edu (F. Antman).

[1] According to US Citizenship and Immigration Services (USCIS, http://www.uscis.gov), an individual eligible for DACA must: (1) Be under the age of 31 as of June 15, 2012; (2) Have arrived in the United States before reaching his 16th birthday; (3) Have continuously resided in the United States since June 15, 2007; (4) Have been physically present in the United States on June 15, 2012; (5) Have entered without inspection prior to June 15, 2012, or had his lawful immigration status expired by that date; (6) Be currently in school, have graduated from high school or obtained an equivalent degree, or have been honorably discharged from the Coast Guard or Armed Forces of the United States; and (7) Have no criminal records or pose a threat to national security or public safety.

http://dx.doi.org/10.1016/j.econlet.2016.08.001
0165-1765/

Our identification strategy relies on the following observable criteria determining DACA eligibility: being younger than 31 years old in 2012, having arrived to the United States before age 16 and prior to 2007, and having the equivalent of a high school diploma or beyond. Specifically, we exploit differences in one eligibility rule: being under the age of 31 in 2012, and compare individuals who share all other observable eligibility criteria. The sole difference between respondents in the treatment and controls groups is that the former were slightly younger in 2012. Flexible controls for age and other observable characteristics further ensure that the estimated DACA impact is not due to differences in age or other individual traits.

We find evidence that DACA reduced the incidence of poverty by about 38% for eligible individuals. Our finding adds to a long-standing literature examining the impact of legalization under the 1986 Immigration Reform and Control Act on immigrants (*e.g.* Amuedo-Dorantes et al., 2007), with the important distinction that DACA only offers a temporary reprieve and work authorization and the program's continuity depends on the executive branch. In addition, our finding complements an emerging literature examining the schooling, labor market and criminal implications of DACA (Amuedo-Dorantes and Antman, forthcoming; Pope, unpublished). Learning about the impact of DACA on poverty offers valuable lessons for future and pending immigration initiatives, such as the 2014 expansion of DACA and the Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA)—both currently blocked from implementation by federal courts.

1. Data and descriptive evidence

To provide the most robust estimate of the impact of DACA, we focus on a narrow window around its implementation and use the 2009 through 2014 waves of the American Community Survey (ACS). Unfortunately, the ACS does not inform on the survey month. Since DACA was announced in June 2012 and numerous applications were received between August and December 2012 (DHS, 2014), we drop the data for 2012 and use 2013 and 2014 as the DACA treatment years. In addition to its representativeness, an advantage of working with the ACS is that it provides detailed information on the ratio of each individual's family income to the poverty line for a family of similar composition. Using that information, we construct two poverty indicators measuring whether the family's income is below: (a) the poverty line, and (b) one and half times the poverty line (*e.g.* Bailey et al., 2014). These two indicators allow us to gauge the extent to which DACA might have impacted the exposure to acute and near poverty.[2]

One important limitation of the ACS is that it lacks sensitive information on the legal status of migrants. Thus, we rely on ethnicity and citizenship traits, which have been shown to be good predictors of migrants' unauthorized status (Passel and Cohn, 2009), and focus our attention on Mexican non-citizens. All respondents meet the following criteria: having at least a high school level equivalent education and arriving to the United States prior to 2007 at an age below 16. By limiting the age window to those between 27 and 34 years of age, we also restrict attention to those in close proximity to the age-eligibility threshold.[3] Finally, we focus on household heads, as they are likely to have the greatest impact on the family's poverty status.

Table 1
Summary statistics [Sample: Skilled (HS+) Mexican non-citizens 27–34 years of age who arrived prior to age 16].
Source: Authors' tabulations using the ACS 2009–2011, 2013–2014.

Statistic:	Mean	S.D.
Poverty measures:		
Living in Poverty	0.281	0.449
Living in Near Poverty	0.467	0.499
Independent variables:		
DACA eligible	0.424	0.494
Age	30.226	2.244
Age at arrival	9.058	4.773
Male	0.519	0.500
White	0.630	0.483
Black	0.005	0.070
Married	0.521	0.500
High school	0.704	0.456
More than high school	0.296	0.456
Family size	3.740	1.780
Any state immigration enforcement	0.201	0.401
In-state tuition policy state	0.780	0.414
State unemployment rate	8.535	2.167
Observations	3573	

Notes: "Living in Poverty" refers to living in a household with a family income below the poverty line, whereas "Living in Near Poverty" refers to living in a household with a family income below 1.5 times the poverty line.

Table 1 provides descriptive statistics of our sample of 3573 likely unauthorized household heads, of whom 42% fulfilled all of the observable DACA eligibility criteria noted earlier. Importantly, 28% of them lived in poor households. The incidence of near poverty was also high, with 47% living in households with family incomes that fell below 1.5 times the poverty line. By design, the mean age was close to the DACA threshold of 31 years of age (30.2) and the average age at migration was nine. About 52% were men, 63% were white, and 52% were married. Due to DACA's educational requirements, 70% of our sample had a high school-level education and 30% exceeded that educational attainment. On average, households had close to four family members. About 20% and 78% of immigrants, respectively, lived in states with some interior immigration enforcement or offering in-state tuition for undocumented immigrants. Unemployment rates in their states averaged 8.5%.

Table 2 reports difference-in-difference estimates of the impact of DACA on the well-being of Mexican non-citizens by exploring the change in the poverty exposure of DACA-eligible household heads from before to after the program announcement, relative to the change experienced by their non-eligible counterparts. DACA appears to have served as a protective factor, as the non-eligible became 6.5 percentage points more likely to live in poverty, whereas their eligible counterparts did not. Hence, DACA eligibility is associated with a 9.3 percentage points or 33% reduction in the incidence of poverty. The point estimate for 'near poverty' is also negative, albeit not statistically different from zero.

2. Methodology

To examine the impact of DACA on poverty, we estimate (1) via OLS:

$$Y_{ist} = \alpha + \beta_1 (DACA_t \times eligible_{ist}) + \beta_2 eligible_{ist} + X_{ist}\gamma + Z_{st}\lambda + \mu_s + \delta_t + \theta_s t + \varepsilon_{ist}, \quad (1)$$

[2] The official poverty indicator presents some drawbacks (Bitler et al., 2014). One is that it likely understates economic need. Thus, we also look at near poverty. In addition, the poverty line does not vary geographically, despite being inflation adjusted; hence we include state fixed-effects and state-time trends to capture differences in the cost of living across states. Finally, the poverty line only refers to money income before taxes. It does not include capital gains or noncash benefits. This is not likely to prove of relevance in our case given likely unauthorized immigrants appear less likely to apply for such benefits owing to their undocumented status (Watson, 2014).

[3] These limitations imply that our estimate is specific to a sample of relatively educated individuals who arrived at young ages. While some may be concerned about the external validity of this assessment, DACA limited authorization to similar groups.