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Ending DACA Program for Young Undocumented Immigrants Makes No Economic Sense

By Chad Stone

President Trump’s decision to end the Deferred Action for Childhood Arrivals (DACA) program for hundreds of thousands of young undocumented immigrants is harsh and unwarranted. It also makes no economic sense. The young individuals affected, often referred to as “Dreamers,” came to the United States as children, have lived and attended school here, and — like most immigrants — are already making or are poised to make contributions to the economy. Ending DACA won’t strengthen the economy. To the contrary, it will deprive the economy of valued workers; it will lose tax revenue, worsening government finances; and it will waste taxpayer dollars on costly and counterproductive immigration enforcement.

DACA: The Basics

The Obama Administration created DACA in 2012 to provide a temporary reprieve from deportation for young unauthorized immigrants who have been largely raised in the United States. Policymakers have long recognized the need to fix the flaw in our immigration system that forces these young people to live under the threat of deportation. Congress, however, has yet to enact either comprehensive immigration reform legislation or narrower measures focused on young immigrants participating in DACA.

DACA eligibility is limited to people born after June 15, 1981, who came to the United States before their 16th birthday and have lived here continuously since June 15, 2007. The program requires them to be in school, to have completed high school or a GED, or to have been honorably discharged from the armed forces. They cannot have been convicted of a felony or certain misdemeanors or pose a threat to national security or public safety. And there is a \$495 processing fee to apply.

Young immigrants who are approved under the DACA program are granted a renewable two-year deferral of action on deportation and may apply for a work permit. They are not eligible for federal public assistance or student aid. The Trump Administration’s action allows a one-time renewal to the minority of participants whose status expires within the next six months, ends deferral altogether for everyone else when their current deferral grant expires, and ends consideration of any new applications immediately.

The median age of DACA participants is 25, and the median age when they first entered the country was 6, an August 2017 survey of over 3,000 participants finds. Over 28 percent have a bachelor's degree or higher, including almost 36 percent of those over age 25. Of those still in school, more than 70 percent are pursuing a bachelor's degree or higher. Over 90 percent are employed (many presumably while also still in school), and their median annual earnings are \$32,000 (\$37,600 for those over age 25).¹

DACA Participants Will Make a Positive Economic Contribution

Due to DACA's strict eligibility standards, participants are motivated to complete high school, go to college, and/or serve in the military. Their ability to obtain work permits under DACA allows them to pursue educational opportunities and career choices suited to their talents and ambitions and to be significant economic contributors to their communities.² Undocumented immigrants *without* DACA protection, although also motivated, face more barriers to completing their education and face more limited job opportunities.³ The current uncertainty about the status of young immigrants participating in DACA harms them and their employers. Uncertainty that discourages people from investing in their future, starting businesses, and finding the best job match for their skills is also bad for the U.S. economy.

The Administration's decision to end DACA, and some of the statements surrounding that decision such as those of Attorney General Jeff Sessions, do not comport with the evidence on the economic and fiscal effects of immigration, such as that compiled in a recent National Academy of Sciences (NAS) consensus study report.⁴ The report finds that "immigration has an overall positive impact on long-run economic growth in the United States." By increasing the size of the labor force, immigrants help offset the effects of an aging native-born population. In addition, high-skilled immigrants add to the nation's stock of human capital, boosting productivity and growth.

The NAS report finds scant evidence that immigrants are taking jobs from the native-born on a large scale or driving down their wages. It cites evidence that some native-born high-school dropouts may experience negative wage effects and some native-born teens may experience some reduction in hours worked (but not in employment rates) due to immigration. But it finds that the

¹ Tom K. Wong, "Results from Tom K. Wong¹ et al., 2017 National DACA Study," Center for American Progress, <https://cdn.americanprogress.org/content/uploads/2017/08/27164928/Wong-Et-Al-New-DACA-Survey-2017-Codebook.pdf>. This is an online survey, and although steps were taken to account for some well-known biases in such surveys, it is impossible to compute margins of error around the results, as the author acknowledges.

² Tom K. Wong *et al.*, "DACA Recipients' Economic and Educational Gains Continue to Grow," Center for American Progress, August 28, 2017, <https://www.americanprogress.org/issues/immigration/news/2017/08/28/437956/daca-recipients-economic-educational-gains-continue-grow/>.

³ Erica Williams *et al.*, "For States, Inclusive Approach to Unauthorized Immigrants Can Help Build Better Economies," Center on Budget and Policy Priorities, October 29, 2015, <https://www.cbpp.org/research/state-budget-and-tax/for-states-inclusive-approach-to-unauthorized-immigrants-can-help>.

⁴ National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration*, 2017, <https://www.nap.edu/catalog/23550/the-economic-and-fiscal-consequences-of-immigration>. The Academy defines a consensus study report as one that documents the evidence-based consensus on the issue at hand by an authoring committee of experts.

individuals most likely to experience whatever negative effects there may be are immigrants themselves already working in low-wage jobs in the United States.

Moreover, the evidence cited in the NAS report suggests that high-skilled immigrants have a positive effect on earnings and employment of native-born Americans both with and without a college degree. While there have been no studies that directly examine the economic impact of the young immigrants participating in DACA, their motivation and qualifications suggest they will not only boost economic growth by increasing the size of the labor force, but that their investments in their own human capital also will boost productivity.

Notwithstanding this evidence, in announcing the Trump Administration's intention to wind down DACA, Attorney General Jeff Sessions alleged that DACA "denied jobs to hundreds of thousands of Americans by allowing those same jobs to go to illegal aliens."⁵ Press Secretary Sarah Huckabee Sanders implied that DACA was responsible for higher unemployment among African Americans and Hispanics of the same age.⁶

These comments reflect an assumption widely rejected by economists, and inconsistent with the evidence on immigration, that there is only a fixed number of jobs to go around. In fact, the main reason why immigration has a positive effect on economic growth is that immigrants are both workers and consumers. A larger working-age population means the economy can produce more goods and services and support a higher level of aggregate demand for those goods and services. Moreover, DACA participants are likely to be among the higher-skilled group of immigrants whom the National Academy report finds may raise the wages of both higher- and lower-skilled native-born workers.

Responding to the Administration's comments, former Congressional Budget Office Director and Republican economist Douglas Holtz-Eakin observed that there is no compelling proof that immigration, authorized or not, "squeezes out native-born workers in any systematic way."⁷

Indeed, employers have added nearly 190,000 jobs a month to their payrolls over the past 90 months, and the unemployment rate has been under 5 percent for the last 16 months; it was 4.4 percent in August.⁸ While there is some evidence that additional workers still can be drawn back into the labor force, DACA participants have not impeded the labor market recovery from the Great Recession because, with their education and skills, they are not generally in direct competition for jobs with older dislocated workers or younger low-wage workers who might still be struggling to find jobs.

⁵ Office of Public Affairs, "Attorney General Sessions Delivers Remarks on DACA," U.S. Department of Justice, September 5, 2017, <https://www.justice.gov/opa/speech/attorney-general-sessions-delivers-remarks-daca>.

⁶ Tracy Jan, "White House claims 'dreamers' take jobs away from blacks and Hispanics. Here's the truth," *Washington Post*, September 6, 2017, https://www.washingtonpost.com/news/wonk/wp/2017/09/06/white-house-claims-dreamers-take-jobs-away-from-blacks-and-hispanics-heres-the-truth/?hpid=hp_rhp-more-top-stories_dacalawsuit-450pm:homepage/story&utm_term=.618a7256c8f5.

⁷ *Ibid.*

⁸ Center on Budget and Policy Priorities, "Chart Book: The Legacy of the Great Recession," updated September 12, 2017, <https://www.cbpp.org/research/economy/chart-book-the-legacy-of-the-great-recession>.

Deporting DACA Participants Will Lose Government Revenue

DACA participants are, or soon will be, members of the workforce and taxpayers. Deporting them will produce a net *drain* on government finances.

The National Academy report includes the results of a number of analyses of the net fiscal impact of immigrant and native-born populations (taxes paid by them less government expenditures made on their behalf). These analyses require a number of assumptions and should be interpreted with caution. Net fiscal impact is not the criterion by which we judge people's value, and estimating net fiscal impact — especially at the state and local level — is fraught with conceptual and methodological difficulties.

Subject to those caveats, the report finds that people born in the United States to immigrant parents had, on average, a more favorable net impact as adults on all levels of government finances than either their parents' generation *or the rest of the native-born population*, largely because they had slightly higher educational attainment and higher taxable incomes and thus paid more in taxes on a per capita basis during their working years. Simulations of the effect of immigrants with the average characteristics of recent immigrants on future budgets have reached a similar conclusion.

As immigrants with above-average skills who have been here at least since 2007 and spent much of their childhoods in the United States, DACA participants as a group are likely to have many of the same economic outcomes as children who are born in the United States to immigrant parents — and thus to contribute both to stronger economic growth and to government finances. On average, they are old enough that state and local governments have already incurred the cost of their education, and as workers they will be net tax contributors at all levels of government.

Estimates from the Cato Institute⁹ and the Center for American Progress¹⁰ indicate that eliminating DACA could cost the economy several hundred billion dollars of gross domestic product (GDP) over the next decade. Less GDP means less government tax revenue, and any offsetting reductions in spending on DACA participants would likely be much smaller than the revenue loss. Thus, repealing DACA would worsen government finances at all levels.

Deporting DACA Participants Wastes Taxpayer Dollars

Finally, ending DACA does nothing to increase border security or to locate and deport dangerous criminals. Contrary to Trump Administration rhetoric, immigrants generally are less likely to commit crimes than native-born citizens,¹¹ and those with serious criminal records are *ineligible* for DACA.

⁹ Ike Brannon, "The Economic and Fiscal Impact of Repealing DACA," Cato Institute, January 18, 2017, <https://www.cato.org/blog/economic-fiscal-impact-repealing-daca>

¹⁰ Nicole Prchal Svajlenka, Tom Jawetz, and Angie Bautista-Chavez, "A New Threat to DACA Could Cost States Billions of Dollars," Center for American Progress, July 21, 2017, <https://www.americanprogress.org/issues/immigration/news/2017/07/21/436419/new-threat-daca-cost-states-billions-dollars/>.

¹¹ Richard Pérez-Peña, "Contrary to Trump's Claims, Immigrants Are Less Likely to Commit Crimes," *New York Times*, January 26, 2017, <https://www.nytimes.com/2017/01/26/us/trump-illegal-immigrants-crime.html?mcubz=0>.

Brookings Institution researchers estimate that the cost to arrest and deport an undocumented individual is \$12,500, and that the cost across all DACA participants would be larger than the entire current Immigration and Customs Enforcement budget of \$5 billion. The Brookings authors emphasize that the human cost of the decision is its most important price tag, but they also argue that it is fiscally irresponsible.¹²

President Obama made a similar point when he created DACA: “We [have] focused and used discretion about whom to prosecute, focusing on criminals who endanger our communities rather than students who are earning their education. And today, deportation of criminals is up 80 percent. We’ve improved on that discretion carefully and thoughtfully. Well, today, we’re improving it again.”¹³

For all these reasons, the decision to end DACA is economically foolhardy. It appeals to anti-immigrant sentiment with economic arguments that don’t stand up to scrutiny. Repealing DACA would hurt the economy and government finances and waste taxpayer dollars deporting contributing members of our communities without making the country any safer.

¹² John Hudak and Elaine Kamarck, “The mind-boggling cost of DACA repeal,” The Brookings Institution, September 7, 2017, <https://www.brookings.edu/blog/fixgov/2017/09/07/the-mind-boggling-cost-of-daca-repeal/>.

¹³ Office of the Press Secretary, “Remarks by the President on Immigration,” The White House, June 15, 2012, <https://obamawhitehouse.archives.gov/the-press-office/2012/06/15/remarks-president-immigration>.