The Prospect of Legal Status and the Employment Status of Undocumented Immigrants

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Abstract:

Illegality of immigration is at the core of the public and policy debate on immigration in many countries. Granting an amnesty is one of the policy option used to reduce stocks of unauthorized immigrants. But, how does the possibility of obtaining legal status affect the employment status of undocumented immigrants? We analyze this aspect in a stylized model where the prospect of becoming legal affects both the reservation wage of the migrant and the value of the match for the employer. In the empirical part, we use a unique dataset which contains daily observations on thousands of undocumented immigrants. We exploit a natural experiment – a general amnesty granted in Italy in 2002 which retrospectively set an eligibility rule based on the date of arrival in Italy – to develop a DID setup and compare the employment status of undocumented immigrants arrived before and after that date. Our results show that being eligible for legalization positively affects the probability of being in employment after the policy is concluded. The effect is large and statistically significant. The estimates are robust to a number of falsification tests. Our results have important implications for the design of future amnesty programs.

Keywords: Illegal Immigration, Amnesty, Regression Discontinuity