



The labor market impact of Amnesty Programs: Evidence from the French exceptional regularization of 1982

This policy brief documents the economic consequences of a large amnesty program implemented in France after the election of President François Mitterrand in May 1981. By reducing the market power of firms over undocumented immigrants, a regularization program can make the labor market more efficient and increase employment and wages for both the newly legalized and the authorized workforce. Our empirical analysis reveals that the Mitterrand regularization program significantly increased employment and wages for low-skill native workers and immigrant men, and raised per-capita GDP by about 0.5 percent.

More than 10 million undocumented immigrants currently live in the United States, representing about 3% of the population. In Europe, nearly 5 million undocumented immigrants—around 1% of the population—reside in various countries. The presence of such a sizable undocumented population has led many nations, including the United States, France, Germany, Spain, Italy, and Portugal, to consider or implement policies that regularize undocumented immigrants.

The first large-scale regularization policy in recent decades was implemented in

France shortly after the election of François Mitterrand in May 1981. The program regularized 131,360 immigrants. They were predominantly male, low-skill, and lived disproportionately in the Île-de-France (Paris) region. They comprised 12% of the immigrant workforce, 2% of all workers in Paris, and nearly 1% of all workers in France.

The 1986 Immigration Reform and Control Act (IRCA), which gave amnesty to 2.7 million undocumented persons in the United States, followed the French reform. Other well-known regularization programs respectively include the 2002 and 2005 amnesties

in Italy (Devillanova, Fasani, and Frattini, 2018) and Spain (Elias, Monras, and Vázquez-Grenno, 2022). Since the onset of the Covid-19 pandemic, several European countries have enacted policies facilitating the regularization of undocumented migrants.

Although regularization policies are implemented in a vast set of countries, our understanding of their economic impact remains limited. Our analysis of France's 1981 reform offers some of the first insights into how such policies affect labor markets and economic growth (Borjas and Edo, 2023).

The vulnerability of undocumented immigrants

Undocumented immigrants live in fear of arrest, detention, or deportation. As a result, they face high mobility costs that limit their interaction with the broader society and restrict their economic opportunities. This extreme vulnerability gives employers significant market power, effectively reducing the bargaining power of workers. In many cases, this leads to labor market exploitation, with undocumented workers being paid significantly less than they would be if employers lacked such power. This insight is consistent with the fact

that undocumented workers face a wage penalty, earning generally less than equally skilled legal immigrants (Borjas and Cassidy, 2019).

The existence of this employer (monopsony) power affects employment levels for all workers, undocumented or not. By keeping wages low, it discourages new entrants from joining the labor market, resulting in lower employment levels than would otherwise occur. Regularizing the status of undocumented workers removes the fear of deportation

and lifts mobility restrictions. Such a reduction in the market power of employers removes the labor market inefficiency that limited the employment of both undocumented and authorized workers. Consequently, a regularization program is likely to lead to both higher employment and wages for all workers. Note, however, that while the more open labor market improves economic conditions for workers, it may also reduce employer profit margins due to higher labor costs.

France's exceptional program of regularization

On May 10, 1981, François Mitterrand was elected President of the French Republic. Just over two months later, on July 23, the French government unexpectedly proposed a large-scale regularization policy. To be eligible for the reform, immigrants had to arrive in France before January 1, 1981, and possess a work contract valid for at least one year, or provide other proof of stable employment. The policy also encouraged employers to participate in the regularization program. Until February 25, 1982, employers who cooperated in the regularization of their undocumented workers were not prosecuted or penalized for unpaid social security contributions. After that

date, hiring undocumented immigrants resulted in increased penalties, including possible jail time.

By June 30, 1983, 149,226 undocumented immigrants had applied for legalization, and 131,360 of them were legalized. The regularized immigrants represented 12% of the non-French workforce and about 1% of the total workforce. Almost half originated in North African countries (Algeria, Morocco, and Tunisia). Portuguese and Turkish immigrants were the next largest groups, composing 12.7% and 8.7% of the legalized immigrants, respectively.

The legalized immigrants were mostly men (82.5%). They were also very young:

80% were below age 32 and 17% were below age 22. The age distribution explains why 60% were not married and 64% had no children. Most of the legalized workers were low-skilled, employed in blue-collar occupations as unskilled industrial or craft workers (e.g., in the construction sector), agricultural workers, shop employees, or personal service workers (e.g., in the hotel and restaurant industry, or domestic services). Although the survey did not collect information on educational attainment, the large share of legalized immigrants employed in low-skilled occupations likely reflects their low education level.

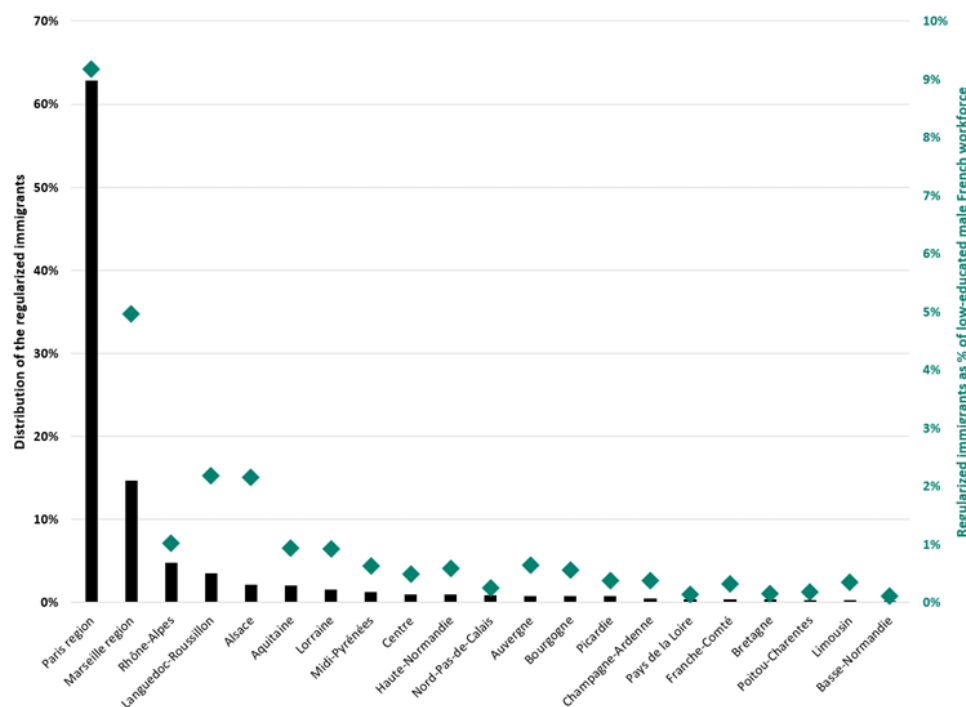
Figure 1 (left-axis) shows that almost two-thirds (62.9%) of the legalized immigrants resided in the Paris region. In contrast, only 14.7% resided in the Marseille region and fewer than 5% resided in any of the other remaining regions. The uneven spatial distribution likely reflects the different economic performance of regions, as well as the settlement patterns of

earlier immigrant waves. To measure the relative size of the “supply shock” produced by the regularization program on the low-skilled segment of the local labor market, we divide the number of the regularized immigrants by the size of the low-educated male French workforce for each region in 1982. *Figure 1* (right-axis) shows that the regularized

immigrants represented 8% of the low-skill male French workforce in the Paris region, with the share falling by half for the Marseille region. The figure also shows that the regularization program had only a minor relative impact in the remaining regions.

Figure 1.

Distribution of the regularized immigrants (left-axis)
and number of regularized immigrants relative to low-educated male French workers (right-axis) across regions



The labor market impact of the program

Our empirical analysis of the 1981 French amnesty leverages the geographic concentration of the regularized workforce in Paris to assess its impact on the employment and wages of French (or native) workers. We

precisely employ the synthetic control method to estimate the employment consequences of the regularization policy by comparing employment outcomes in the treated region (i.e., Paris) to a synthetic

region that mimics the pre-regularization employment outcomes of the treated region. In principle, the synthetic region approximates the post-1981 trajectory for the outcome of interest that would have

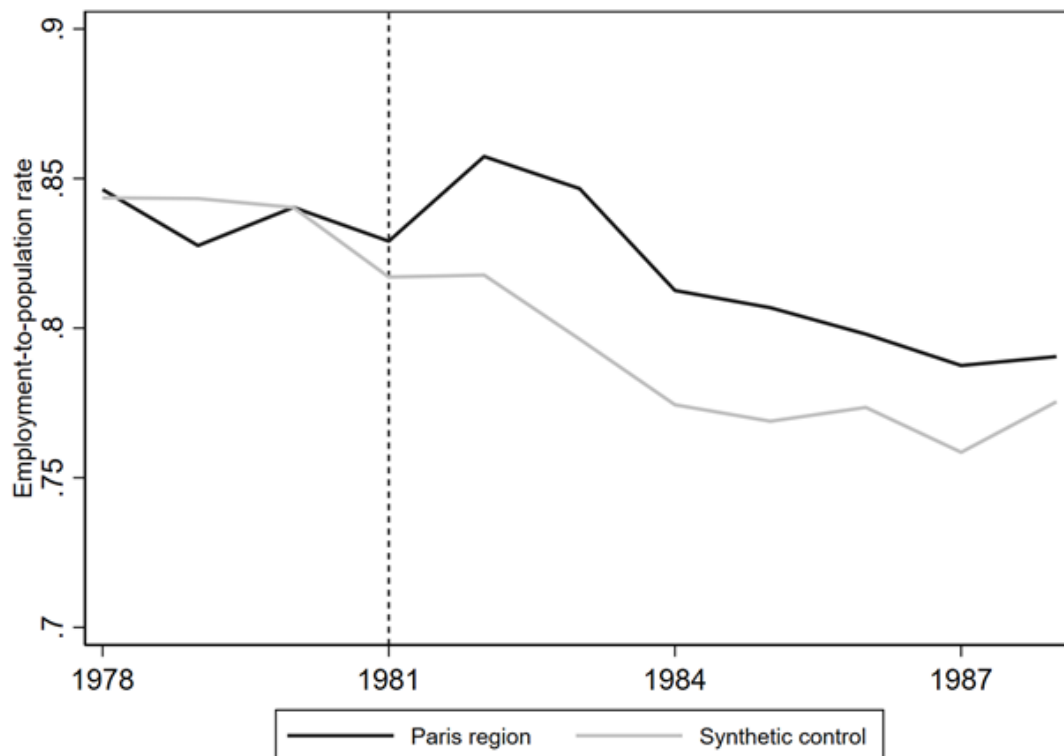
been observed in Paris in the absence of the regularization program.

Because the regularized immigrants were predominantly low-skill men, we initially focus on the employment response observed in the entire sample of low-educated French men.

Figure 2 shows the trajectories of the employment-to-population ratio for the Paris and synthetic regions. The trends in the employment rate of low-educated French men in the treated and synthetic regions are similar prior to 1981. The relative employment rate in the Paris region, however, increased sharply after the start

of the regularization program. By 1983, the employment rate in the Paris region exceeded its pre-treatment level, while the employment rate in the synthetic control had fallen below its pre-treatment level. The employment rate in the two regions did not converge again until the late 1980s.

Figure 2.
Employment rates for low-educated French men in the Paris and the control regions

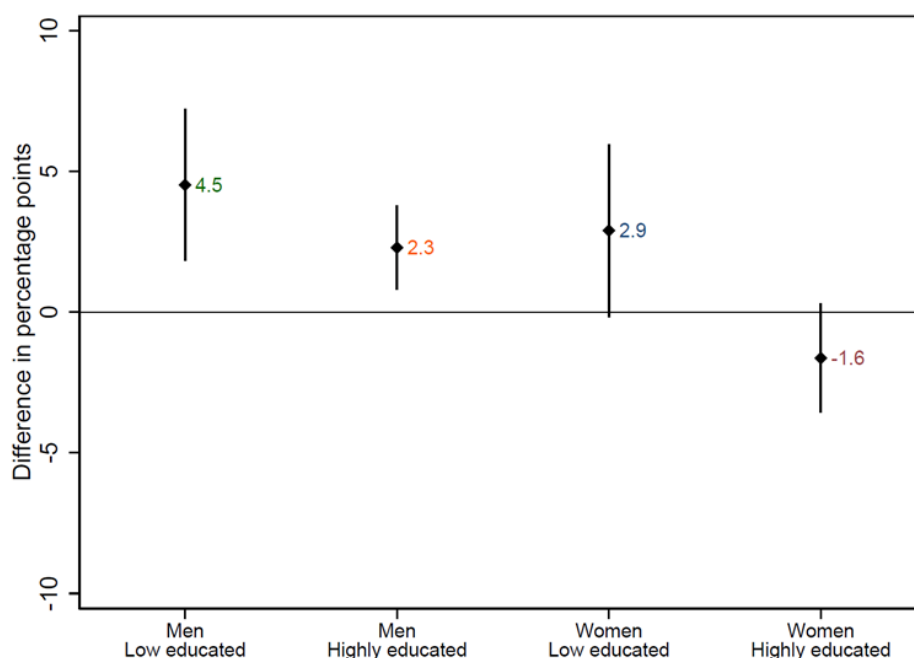


More specifically, in the short run (between 1978-1981 and 1982-1983), the regularization program increased the employment rate of low-skilled French men by 4.5 percentage points and that of high-skilled men by 2.3 percentage points (Figure 3). The fact that the estimated impact is stronger within the

low-educated segment of the labor market suggests that the reduced market power of firms benefits mostly workers in sectors targeted by the regularization. Although weaker, the rise in the employment rate among the highly educated workers can be due to complementarities in the production process between

workers with different skill levels. Finally, it turns out that the regularization program does not seem to have had a significant impact on the employment rate of women, regardless of their educational level.

Figure 3.
Impact of the regularization program on the employment rate of natives by gender and education



Notes: The diamonds represent the estimated coefficients, while the vertical lines indicate the 95% confidence intervals. When these lines do not intersect the horizontal axis at zero, the coefficient is statistically significant, indicating that the difference in employment rates between the Paris and control regions in 1982-83 is different from the gap observed during 1978-1981.

We also find that the regularization policy also contributed to a 3% increase in the mean wage of low-skilled French male workers

in the Paris region employed in the private sector. Overall, our results indicate that the enhanced bargaining power of one group of workers—those

who were regularized—tend to benefit all workers in the sectors affected by the regularization program.

The "regularization surplus"

A regularization program that reduces the firm's market power increases the employment not only of undocumented workers, but also of authorized workers. By improving labor market efficiency, such program should thus generate an increase in output, what we call a "regularization surplus."

By exploiting a similar empirical strategy than before, we estimate the aggregate

impact of the regularization using data on regional per-capita GDP in France. The program increased per-capita GDP in Paris by 1.6%, implying an increase in French national per-capita GDP of about 0.5%. This regularization surplus represents a permanent increase in aggregate income as it resulted from the fact that the regularization program moderated an existing inefficiency in the French labor

market. We also show that our empirical estimate of the surplus coincides with the simulation estimate produced by a textbook supply-and-demand framework (Borjas, 1995), where we interpret the area under the demand curve as total product and calculate the GDP implied by the expansion in employment induced by the regularization program.

An exceptional regularization policy that reduces the market power of employers stimulates employment, wages, and economic growth. In contrast, any factors that increase the market power of employers—such as a rise in the number of undocumented immigrants or stricter regularization requirements—are likely to worsen the economic opportunities for both undocumented and authorized workers, while benefiting employers. Ultimately, while regularization offers significant benefits to workers, it also involves complex trade-offs that can create both winners and losers among different stakeholders, making the question of whether to regularize undocumented workers a nuanced and contentious one.

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- ★ **George Jesus Borjas** is the Robert W. Scrivner professor of economics and social policy at the John F. Kennedy School of Government, Harvard University. He is also a research associate at the National Bureau of Economic Research.
- ★ **Anthony Edo** is economist at the French center for research and expertise on the world economy (CEPII). His fields of interest are Labour and Population Economics, especially on the topics of Migration and Discrimination. He holds a PhD in Economics from the Paris School of Economics.