

# Understanding the Effects of Legalizing Undocumented Immigrants

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## ABSTRACT

This paper studies the legalization of 600,000 non-EU immigrants by the unexpectedly elected Spanish government following the terrorist attacks of 2004. By comparing non-EU to EU immigrants we first estimate that the policy did not lead to magnet effects. We then show that the policy change increased labor market opportunities for immigrants by allowing them to enter sectors of the economy with fewer informal employment. We finally rely on cross-province comparisons to document that a) for each legalized immigrant payroll-tax revenues increased by at least 4,000 euros, b) the policy change *deteriorated* the labor-market outcomes of a *selected group* of low-skilled natives, *improved* the outcomes of high-skilled workers, and induced some low-skilled immigrants to move away from high-immigrant locations.

**JEL Classification codes:** F22, J31, J61, R11.

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