

Executive Summary

The Nature of Human Mobility

The Venezuelan exodus is the largest migration flow of its kind in the recent history of the Latin American and the Caribbean (LAC) region. It represents the second-largest population flow in the world (surpassed only by that of the Ukraine crisis) and the largest flow in the world for a non-conflict country. Since 2015, over seven million Venezuelans—about a quarter of the country's population—have left the country, escaping economic collapse, political persecution, and an unprecedented humanitarian crisis. The majority of these people (over six million) have settled in countries in the LAC region. Some have made their way to other countries, mainly the United States and Spain. This report examines their situation in the four main host countries: Colombia, Ecuador, Peru, and Chile.

Mobility brings benefits

If managed well, the increasing numbers of Venezuelans could create a development opportunity for both migrants and their host countries. Potential benefits for migrants include economic opportunity, access to public services, such as education and health services, and safety from violence and oppression. Potential benefits for host countries include an increased labor supply (particularly in sectors where labor is scarce), a more skilled workforce, and a larger

tax base (World Bank 2019). Over time, migrants can contribute to a host country's efficiency, particularly if they are allowed to work formally at a level commensurate with their skills and experience (World Bank 2023).

The Venezuelan exodus appears to have had a positive effect on economic growth in the region, thanks to additional labor supply and the boost to demand. Recent estimates show that flows from Venezuela are likely to raise GDP growth among the largest recipient countries in LAC by an average of 0.10–0.25 percentage points a year between 2017 and 2030 (IMF 2022). This is largely a result of the increased labor supply (including human capital) which, in the long run, increases aggregate demand and tax revenues. Over the long term, the benefits of migration typically compensate for the costs associated with migrants' arrival and integration (IMF 2022).

Some studies also find positive labor market effects. Morales and Pierola (2020) found that a 1.0 percentage point increase in the share of Venezuelans in Peru is associated with a 1.5 percentage point increase in the probability of being employed for workers with tertiary education in the non-service sector. Groeger, León-Cillate, and Stillman (2022) also find that inflows of Venezuelans to particular locations in Peru led to increased employment.

Human mobility also has negative effects

Influxes of migrants can hurt some people in the host country, particularly workers who compete with migrants for jobs; and can impose short-term fiscal costs. The additional labor supply can also induce a decline in wages in the short run. Studies of Brazil (Zago 2020), Colombia (Lebow 2022), Ecuador (Olivieri and others 2021), and Peru (Morales and Pierola 2020) show that the wages of less educated and informal workers are most likely to suffer but that the effect is modest and mostly short term. There are few, if any, negative effects on the intensive margin (how many hours per week are worked). The IMF (2022) estimates that the Venezuelan exodus increased fiscal costs by 0.1 percent of GDP in Chile and 0.5 percent in Colombia—another negative short-term effect.

The net benefits depend on the policies and institutional arrangements host countries have in place

When the skills of migrants match the needs of their destinations' labor market, the economic benefits of migration can be considerable, if policy and institutional design are conducive to development. Host countries should try to realize these benefits by facilitating migrants' economic inclusion into the labor market, promoting social