

Hosting refugees and migrants is an act of generosity and solidarity.

When numbers are massive, this also represents challenges for States in the short to medium term, generating debates as to the actual socioeconomic impact of hosting refugees and migrants. In recent years, academia, think tanks, and development banks have conducted research and produced analysis to inform these debates. This factsheet aims to highlight some of the key findings regarding the inclusion of refugees and migrants.

» The impact of inclusion on...

the labor market

Globally

- “Benefits arise from migrants’ contributions in the labor market and to higher productivity and greater availability and lower prices for some goods and services, as well as their fiscal contributions. **These benefits are larger if migrants are allowed and able to work formally at the level of their qualifications**” (World Bank, 2023, *World Development Report 2023: Migrants, refugees and Societies*, p.159).

In Colombia

- “In Colombia, a large amnesty program that granted job permits to about half a million Venezuelan migrants in 2018 increased formalization rates by 10 percentage points—and many of these migrants are now paying taxes” (World Bank, 2023, p.168).
- “Chile, Colombia, Peru, and Trinidad and Tobago introduced renewable temporary work permits, lasting between six months and two years, which have allowed many migrants to obtain legal work status. These programs have been helpful to regularize many migrants and open the door to formal employment.” (Alvarez, Arena, Brousseau, Faruqee, Fernandez Corugedo, Guajardo, Peraza, Yopez, 2022, *Regional Spillovers from the Venezuelan Crisis: Migration Flows and Their Impact on Latin America and the Caribbean*, IMF).



the fiscal balance

Globally

- “The fact that people migrate when they are young is also the reason why several studies find that immigrants have a positive fiscal contribution over their lifetimes (Orrenius 2017). Clearly, a positive net fiscal effect depends on the ability of immigrants to integrate into the labor market and offer sought-after skills. The potential, however, for immigrants to improve the fiscal balance of a receiving country is real. In the United States, for instance, where immigrants’ employment rates are high and a large share are highly educated, the average lifetime fiscal contribution of an immigrant who arrived in the last 10 years has been calculated at \$173,000.” (Pei, 2020, *Immigrant Swan Song*. IMF).

In Colombia

- The World Bank (2021) estimates that in Colombia, for every dollar invested in the socioeconomic integration of refugees and migrants, there can be a return of up to two dollars for the society. (World Bank, 2021, *Un futuro de oportunidades para Colombia y sus migrantes*).

In Colombia

■ “The higher fiscal spending to address immigration negatively impacts the government's budget in the short term, which is offset by higher output, consumption, and employment level, increasing the government's revenues mainly through indirect tax collection” (Valencia, Angarita, Santaella and De Castro, 2020, *Do Immigrants Bring Fiscal Dividends?: The Case of Venezuelan Immigration in Colombia*).

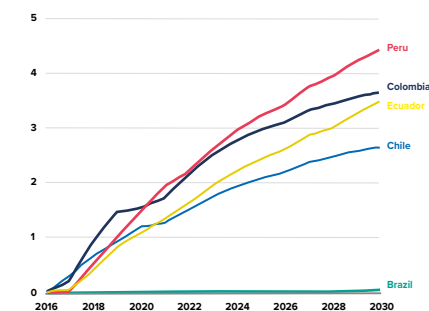
■ “We estimate that, with the right support and integration policies, migration from Venezuela has the potential to increase real GDP in Peru, Colombia, Ecuador, and Chile by 2.5 to 4.5 percentage points relative to a no-migration baseline by 2030.” (Arena, Fernandez Corugedo, Guajardo, and Yepez, 2022, *Venezuela's Migrants Bring Economic Opportunity to Latin America*. IMF).

■ "Due to the sizeable and persistent migration shock, the estimates of the fiscal costs are large and extend beyond the short term. The baseline estimates show costs peaking at 0.5 percent of GDP in Colombia in 2019 and remaining levated at 0.4 percent between 2020 and 2025, 0.25 percent in Ecuador and Peru, and 0.1 percent in Chile. The impact on the fiscal balance is expected to dissipate over time as tax revenues rise in line with the expansion in economic activity as migrants integrate into the labor market." (IMF, 2022).

■ The [Medium-term Fiscal Plan](#), developed by the Ministry of Finance of Colombia, estimates that the Colombian fiscal revenue of the Government will increase in 2.9% of the GDP between 2021 and 2030, compared to a baseline scenario without migration. (Ministerio de Hacienda, 2021, *Marco Fiscal de Mediano Plazo*).

Potential economic gains

Investing in integrating migrants has the potential to increase GDP in host countries by up 4.5 percentage points by 2030. (economic impact of venezuelan migration in percent of GDP)



Sources: Flexible System of Global Models simulations; and IMF staff calculations

the demographic dividend

Globally

■ “From a demographic point of view, therefore, an increase in immigration flows, especially of young people, to advanced economies in the North seems desirable. It would reduce population decline, keep the size of the labor force from shrinking, improve age dependency ratios, and produce positive fiscal gains.” (IMF, 2020).



In Colombia

■ The Venezuelan refugees and migrants represent a demographic dividend for Colombia, as they are a younger population than the national Colombian average in the working-age group. This has a positive impact on human capital, which influences GDP growth in the short and medium term (World Bank, 2022, *Notas sectoriales de política - Migración*).

Mixed movements of refugees and migrants are an everyday reality in our contemporary world that cannot be ignored.

The studies cited above demonstrate that, when socioeconomic inclusion is considered as an early investment, benefits can be achieved from the middle to long term both for displaced people and for their host communities.