

# The Profiles of Immigrants in Latin America and the Caribbean A Focus on Economic Integration

Juan Blyde  
Camila Cortes  
Fernando Morales  
Denisse Pierola

Migration Unit

DISCUSSION  
PAPER N°  
IDB-DP-00787

# The Profiles of Immigrants in Latin America and the Caribbean

## A Focus on Economic Integration

Juan Blyde  
Camila Cortes  
Fernando Morales  
Denisse Pierola

June 2020



<http://www.iadb.org>

Copyright © 2020 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.



# The Profiles of Immigrants in Latin America and the Caribbean A Focus on Economic Integration\*

Juan Blyde♦  
IDB

Camila Cortes  
IDB

Fernando Morales  
IDB

Denisse Pierola  
IDB

This version: April 21, 2020

## ABSTRACT

We employ recent household surveys and population censuses to present a profile of immigrants in Latin America and the Caribbean, with a focus on economic integration. By comparing the profile of immigrants with that of the non-immigrant population we identify gaps in several dimensions such as education, informality and skill downgrading. The exercise allows us to discuss some migration-related topics that are important not only for the countries that are receiving the bulk of the Venezuelan migration but also more generally across the region.

JEL No. J60, J61, F22

Key words: international migration, profiles, skills

---

\* We would like to thank Marisol Rodriguez Chatruc for helpful comments and suggestions. The views and interpretations in this study are strictly those of the authors and should not be attributed to the Inter-American Development Bank, its Board of Directors, or any of its member countries

♦ Correspondence address: Juan Blyde. Inter-American Development Bank, 1300 New York Ave., NW, Washington DC, 20755, U.S. Phone: (202) 623-3517, E-mail: [juanbl@iadb.org](mailto:juanbl@iadb.org). Denisse Pierola. Inter-American Development Bank, 1300 New York Ave., NW, Washington DC, 20755, U.S. Phone: (202) 523-7522, E-mail: [mpierola@iadb.org](mailto:mpierola@iadb.org)

# 1 Introduction

Latin America and the Caribbean (LAC) account for a fair share of the world's migrant population. In 2019, the stock of migrants of LAC origin reached 40 million, representing 14.7% of the stock of world's migrants<sup>1</sup>. The U.S. attracts the largest share of LAC emigrants, but intra-regional migration is important not only for its size, as the region represents the second largest destination, but also for its growth, as it has been increasing at unprecedented levels since 2015.

Latin America is no stranger to migration in general or intra-regional migration in particular. For example, for decades Bolivians and Paraguayans have migrated to Argentina, reaching cumulatively more than 1 million people in 2019 and representing 50% of the stock of immigrants in this country. The development of the oil industry in Trinidad and Tobago during the 1970s motivated the arrival of many migrants from other Caribbean countries. Starting in the mid-70s, migrants from LAC countries were drawn to Venezuela. By 2015, 1 out of 3 Colombians living abroad were living in Venezuela. The Peruvian population in Chile increased 28 times between 1990 and 2019. The migration from Central America is a phenomenon that has experienced different waves predating the 1970s and has been shaped by both intra-regional mobility and migration to the North. Other flows with long histories in the region are the Nicaraguan migration to Costa Rica or the Haitian migration to Dominican Republic.

In recent years, new migration flows have been added to the previous migration patterns, including an increasing trend of migrants from Haiti to Chile and the most visible of all, the Venezuelan exodus. The deterioration of the economic and social situation in Venezuela, particularly since 2015, has generated an unprecedented migration flow with 4 million migrants living in other countries of the region by the beginning of 2020<sup>2</sup>. Given its magnitude, the Venezuelan migration crisis has prompted a myriad of analyses which have shed light on an array of issues including the waves of this migration phenomenon (Bolívar, 2019; Universidad del Rosario, 2018), the magnitudes (UN, 2019; OAS, 2019), the potential impacts (Reina, Mesa and Ramírez Tobón, 2018, Bahar et al., 2020, Namen et al., 2020, Morales and Pierola, 2020), the responses of the countries (Compes 3950, 2018; Acosta, et al, 2019;

---

<sup>1</sup> According to data from the United Nations Department of Economics and Social Affairs (UNDESA)

<sup>2</sup> According to data from the Regional Inter-Agency Coordination Platform led by the UNHCR and IOM

Selee and Bolter, 2020; Bahar and Dooley, 2019), and the efforts of the international community to address this unprecedented challenge for the region (UN, 2019b), among other aspects.

While migration from Venezuela continues to deserve special consideration, it seems that this is a good time to take a more general view about the migrants in the region. The attention that the Venezuelan exodus has attracted and some of the conversations that has sparked could be potentially useful to other migration contexts across Latin America. This is the motivation behind this note. Using a combination of recent household surveys and population censuses, this note presents the profiles of the migrants in a number of countries of the region.<sup>3</sup>

The objective is to illustrate the profiles of the immigrants and inform the debate on the gaps that exist between immigrants and the native population in various dimensions, with a focus on the degree of economic integration. While imminently descriptive, this exercise provides good opportunities to discuss some migration-related topics that are important not only for the countries that are receiving the bulk of the Venezuelan migration but also more generally across Latin America and the Caribbean.

The rest of the analysis is divided as follows. Section 2 introduces the countries examined and the data sources employed in each case. It also discusses the advantages and disadvantages of employing population censuses and household surveys to study migrant populations. Section 3 presents the profiles of the migrants and discusses a number of migration-related themes that arise naturally from these profiles. Finally, section 4 provides concluding remarks.

## **2 Data description**

The main sources of data for this analysis are population censuses and household surveys. Population censuses are generally recognized as the main source of statistics for the stock of international migrants in a country.<sup>4</sup> Their main advantage rests on their universal coverage which ensures better coverage of the profiles of the migrant population relative to other data sources. The main limitation of population censuses, however, is that they are not collected frequently, usually only once in 10 years.

---

<sup>3</sup> While the plan is to present a broad landscape of the migrant's profiles in the region, it is impossible to abstract completely from the Venezuelan migration crisis, given its magnitude. In this note, the topic of Venezuelan migrants emerges both indirectly --for instance, when looking at the migrant's profile in countries like Colombia where the majority of migrants are from Venezuela-- and also directly in a dedicated box.

<sup>4</sup> There is no single legal definition of a migrant, so migrants are normally defined as persons who have changed their place of usual residence, or persons who live outside the country of which they are a citizen or national (UN Handbook on Measuring International Migration through Population Censuses, 2017).

Household surveys are an adequate alternative as they are collected on a yearly basis, and in some cases, they have specialized modules for migrants with dedicated questions including the place of residence at a specified time in the past or the reasons for moving. The potential limitation with surveys, however, lies on their sample. The percentage of international migrants present in many countries can be low and thus the sample size of the survey needs to be sufficiently large to identify enough migrants.

To have a better sense of the extent to which household surveys capture the migrant population, for each country in the region, we calculate the *share of migrants in the total population of the country*, using both household surveys and censuses and then compare the results.<sup>5</sup> Figure 1 shows that household surveys reflect the size of the migrant population reasonably well in most countries—the shares of migrants in total population are relatively similar in most cases.<sup>6</sup> The exceptions are Dominican Republic, Ecuador and Panama where the surveys tend to underestimate the size of the migrant population. Accordingly, some caution should be exercised when interpreting migrants’ profiles using household surveys in these countries.<sup>7</sup>

Regarding country coverage, the analysis includes migrant profiles from 14 countries in the region. In 12 countries, the profile of migrants is based on information from household surveys using data from the last year where it is possible to identify if the individual is an international migrant.<sup>8</sup> These countries are: Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Nicaragua, Panama, Paraguay, Peru and Uruguay. In the case of Chile and Mexico, the profile of migrants is based on information from their censuses because either the census took place in the same year as the most recent household survey (Chile), or because more recent household surveys did not have a question

---

<sup>5</sup> To make a reasonable comparison, the year of the household survey used for this comparison is the closest to the most recent population census available in each country. The corresponding years of the household survey (first) and the year of the census (second) are: Argentina (2010; 2010), Brazil (2010; 2010), Colombia (2018; 2018), Costa Rica (2011; 2011), Dominican Republic (2010; 2010), Ecuador (2012; 2010), Honduras (2013; 2013), Nicaragua (2005; 2005), Panama (2011; 2010), Paraguay (2017; 2017), Uruguay (2011; 2011)

<sup>6</sup> For Chile and Mexico, we do not need to do this comparison because we use the population census directly. For Peru we do not do this calculation either because by definition the ENPOVE is representative to the Venezuelan migrants at the national level. For Paraguay, we perform the comparison using the stock of migrants in the country provided by the United Nations Department of Economic and Social Affairs

<sup>7</sup> This analysis is related to the work in Carrasco and Suárez (2018) in that the profiles of migrants are obtained from household surveys. Our analysis, however, examines more countries, evaluates a more recent period, combines countries with recent population censuses and presents some innovative analyses like those related to skill downgrading

<sup>8</sup> Normally, migrants can be identified in population census or in household surveys with questions of the type: “country of birth”, “country of citizenship” or “mother’s residence at time of birth”.

to identify migrants (Mexico). The full list of countries included in the analysis, the type of sources used to build the profile of migrants, and year utilized are in table 1.

It is important to note that Caribbean countries are generally absent from the analysis, but this is due to lack of data availability. Unfortunately, there are no recent censuses from the Caribbean countries and their household surveys do not include questions that can be used to identify migrants. Nevertheless, in order to present information from the Caribbean countries we have included a box that highlights some of the main characteristics of the migrants from this region residing in the United States. This is based on the US household survey (American Community Survey). While the exercise is not strictly comparable with the main analysis in section 3, the box provides insightful information about the migrant population from this region.

A final remark about the data is in order. Given the importance of the Venezuelan exodus, in as many cases as possible, we have tried to use data from the most recent years to capture the full extent of this migratory crisis—which intensified in 2017-2018—and the consequent patterns associated with it. Fortunately, in the case of Colombia—the largest recipient of Venezuelan migrants in absolute values—and Ecuador, we could use 2019 household surveys to capture these recent trends. However, in the case of Chile, we are limited to the use of the 2017 population census given the lack of more recent information available. In the case of Peru, given that the latest census is from 2017 and the 2018 household survey did not include a question that could be used to identify migrants (this question was available in 2017), we relied on a survey conducted between late 2018 and early 2019 by the National Statistics Office, *Instituto Nacional de Estadística e Informática (INEI)*, designed exclusively to capture the profile of the Venezuelan migrants. This survey, called ENPOVE, was conducted nationally and it included most of the variables that we employ to construct the profile of migrants in all other countries. The only caveat in using the ENPOVE is that it allows us to construct the profile of Venezuelan immigrants only and not of all the immigrants in Peru. Nevertheless, considering that by the end of 2018, the immigrants from Venezuela represented approximately 82% of all the immigrants in Peru<sup>9</sup>, one can argue that in 2018 the profile of the average immigrant in the country was very close to the profile of the Venezuelan immigrant. We use the household survey (2017) to measure the outcomes for the non-immigrant population in Peru.

---

<sup>9</sup> Based on information from ENPOVE and the United Nations Department of Economic and Social Affairs



### 3 The profile of immigrants

#### *Gender composition*

We start constructing the profiles with basic demographic characteristics. The first one is gender. The bars in figure 2 partition the migrant population between males and females. Countries like Argentina, Costa Rica, Nicaragua, Panama or Uruguay tend to have larger shares of female migrants than male migrants, while the opposite is true for countries like Brazil, Paraguay, Peru and especially for Dominican Republic that exhibits a share of male migrants equal to 57%. Note that there is much more variation across countries in the gender composition of the migrants than of the native population, as the latter tends to be very similar at around 50%. For example, the difference in the share of female migrants between Panama (the country with the largest share) and Dominican Republic (the country with the smallest share) is 11.8 percentage points, while the largest difference among the native population is only 2.4 percentage points. This larger heterogeneity across countries in the gender structure of their immigrant population reflects the existence of diverse migration patterns across the region that respond to different realities and that lead to different gender compositions in the destination countries.

#### *Age structure*

Figure 3 shows the profile of migrants according to their age. There is substantial heterogeneity across the countries in the age structure of the migrants. For instance, while in some countries the share of the migrant population between 15 and 64 is below 50%, in others the share is larger than 80%, most notably in Costa Rica, Chile, Dominican Republic and Panama. Young working-age migrants can potentially provide a demographic dividend that might be important to countries with aging populations. It has been shown, for example, that in industrialized countries, migration has been the primary source of population growth (Peri, 2020) because of the relatively large shares of their senior citizens. Aging populations is also evident in some Latin American countries. Note, for example, that some countries like Argentina, Chile or Uruguay exhibit relatively large shares of senior citizens (65 and older) among the native population (see the red dots in figure 3). More generally, it has been shown that in some countries of the region, doubling of the percentage of the senior citizens will occur much faster than in the European countries (Bosch, Pagés and Ripani, 2018). For a region that

is aging more rapidly than other parts of the world, migration could be an important factor to secure population stability or growth.

### *Education profile*

Considering the average distribution of migrant and native individuals across countries by educational attainment, we observe a larger concentration of more educated individuals among the migrant population relative to the native population. Figure 4a shows that the average distribution of migrants across countries in the region has a larger share of individuals who have either completed their secondary or their tertiary education (55%), relative to their native counterparts (43%).

However, at a more disaggregated level, the education profile of the migrants, shown in figure 4b, presents a large degree of heterogeneity across countries. For example, some countries like Costa Rica, Dominican Republic or Honduras exhibit large shares of migrants with only primary education or less while small shares of migrants with tertiary education completed. On the other hand, countries like Chile, Mexico, Panama, Peru or Uruguay exhibit relatively large shares of migrants with tertiary education. This heterogeneity denotes different migration realities behind diverse characteristics in both origin and destination countries. For example, while immigrants in the Dominican Republic are mostly comprised of individuals from neighboring Haiti (87%) with less educational levels than other immigrants in the Dominican Republic (see IDB, 2019), Chile's relative economic and political stability have made the country an attractive destination for a variety of nationalities with a significant portion of them being educated migrants from Peru and Colombia arriving in the country particularly since the 1990s. Peru's relatively large share of migrants with tertiary education reflects the Venezuelan population that has migrated to this country consisting mostly of young adults (see figure 3) with relatively good levels of education (particularly up to 2018). Mexico deserves a special mention. News about migrants in Mexico, especially in recent years, have normally focused on individuals from the Northern Triangle countries (El Salvador, Guatemala and Honduras) seeking to reach the United States and many being stranded in Mexico. However, an often overlooked fact is that the stock of immigrants in Mexico, of around 1 million people, is comprised by a large share of individuals from the United States (72%).<sup>10</sup>

---

<sup>10</sup> According to data from the United Nations Department of Economics and Social Affairs (UNDESA)

### Box 1: The profile of migrants from the Caribbean in the United States

This box provides basic characteristics of the immigrants from the Caribbean that reside in the United States. The analysis is based on the United States household survey (American Community Survey) for the years 2014-2018. The dataset provides individual information of the immigrants from the Bahamas, Guyana, Jamaica and Trinidad and Tobago that live in the United States.

Figures 1.1, 1.2 and 1.3 compare basic profile characteristics of the Caribbean immigrants with those of the non-immigrant population in the United States. The gender composition of the Caribbean immigrants is slightly tilted towards female migrants. On average, female migrants represent 55.7% of the total migrant population from these countries whereas the non-immigrant population in the United States is almost evenly split at 50.6%. The age structure also differs with respect to the native population. In the United States the share of the population below 15 years of age is 21% but this share does not reach 5% for the immigrants of any of the Caribbean countries. On average, the share of the migrant population between 14 and 65 is 80% for these migrants, compared to 64% for the United States. In terms of education profiles, Guyana and Jamaica show larger shares of migrants with only primary education or less and smaller shares of migrants with tertiary education completed. The relative education profiles of the migrants from Trinidad and Tobago and from the Bahamas are more similar to the native population.

Figure 1.1: Gender composition

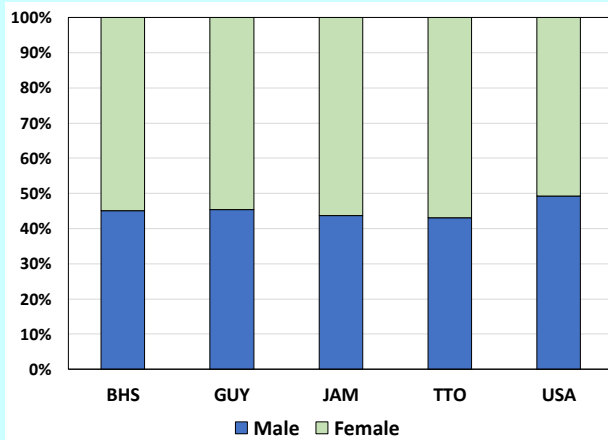


Figure 1.2: Age structure

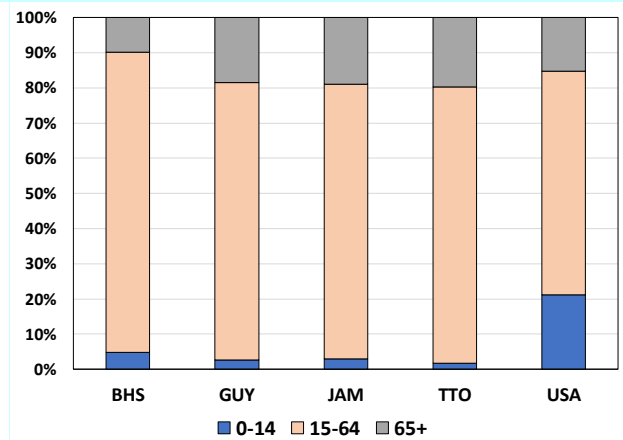
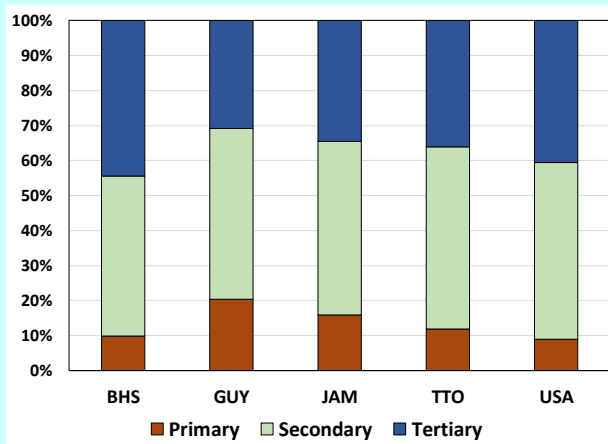


Figure 1.3: Education profile, 25 years of age or more



The labor force participation rate of Caribbean immigrants in the United States is relatively high, with rates for the Bahamas, Guyana, Jamaica and Trinidad and Tobago of 69%, 68%, 71% and 68%, respectively. With an average of 69%, the typical immigrant from the Caribbean exhibit a larger participation rate than the average immigrant in the U.S. (66%) and also a larger participation rate than the average for non-immigrants (62%). Unemployment rates, however, are slightly larger. With an average unemployment rate of 7.4%, the immigrants from the Caribbean are less successful in finding jobs than the average immigrant in this country (5.03%) and the average non-immigrant (5.97%). Immigrants from the Bahamas experience the largest unemployment rate (8.27%), followed by immigrants from Jamaica (7.23%), Trinidad and Tobago (7.29%) and Guyana (6.89%).

### *Economic inclusion*

The act of leaving behind everything that is familiar to start over in another country, voluntarily or by force, is an experience intrinsic to most migrants who in general seek to pursue better economic opportunities. Such drive normally makes migrants a very active group in the labor force, either by having a job or by looking for one. For instance, in 2018 the labor force participation of immigrants in the US was 65.7% versus 62.3 for the native born.<sup>11</sup> Figure 5 shows the participation rate of migrants in Latin America. In some countries migrants exhibit a larger participation rate than the natives and in other countries the opposite is true. We do not observe a consistent pattern in that the participation rate of migrants is always smaller or larger than that of the natives. On average, the participation rate for the countries depicted is equal to 66.3% for the migrants and 65.1% for the native population. In the case of the migrants from the Caribbean living in the United States, the labor force participation rate is larger than for the non-migrants in this country (see Box 1).

Similarly, there is not a consistent pattern in terms of the unemployment rate. Although for some countries, the unemployment rate of the migrant population is larger than the one of the native population and for other countries, it is the other way around; on average, the unemployment rate is the same for both groups—6.6% (see figure 6).<sup>12</sup> Where we observe a consistent gap between migrants and natives across the countries of the region is in the level of informality.<sup>13</sup> Figure 7, for example, shows the percentage of working-age individuals in the labor force that do not contribute to social

---

<sup>11</sup> According to the US Bureau of Labor Statistics “Foreign-Born Workers: Labor Force Characteristics – 2018”. US Department of Labor

<sup>12</sup> Migrants from the Caribbean living in the United States exhibit larger unemployment rates than non-migrants in this country (see Box 1)

<sup>13</sup> For the purpose of this analysis, we define informality at the individual level—if the individual does not report payments to the Social Security System, regardless of whether s/he works for a formal or informal establishment.

security for each group.<sup>14</sup> Based on this measure of informality, the share of immigrants in the informal sector is almost always larger than that of the native population. The average share of informality for the countries depicted is 65% for migrants and 50% for the native born, a significant gap. Even in countries where the level of informality among the native population is very large, like Honduras, the level of informality among the migrant population is even larger.

There can be multiple reasons why migrants are disproportionately employed in the informal sector. For instance, access to the formal labor market might be restricted, or migrants might face more information frictions regarding jobs prospects than natives. Another possibility is that employers might not be familiar with the status of the immigrants. This implies that even if immigrants are able to obtain work authorization permits, employers might not be sufficiently informed and thus they might not trust these documents, particularly if they have been recently created. One example could be the work authorization programs recently created for Venezuelan migrants in Colombia (the PEP) and in Peru (the PTP).<sup>15</sup> As of March 2019, for example, only 4% of PEP holders in Colombia had a formal-sector job, and as of October 2019, only 11% of PTP holders in Peru were formally employed (Selee and Bolter, 2020). If work authorizations are mistrusted because of lack of familiarity, there should be government efforts to reduce this lack of information.

Another possibility that could lead migrants to look for jobs in the informal sector is a lack of recognition about their qualifications. A lack of credential recognition could be due to country specific regulations, for instance, a foreign license is not recognized as equivalent as a domestic license for certain professions and thus special validations need to be taken. Sometimes the problem could be that the credential recognition process is costly, which could be a binding constraint for migrants with less resources. Another possibility is that the whole process of validation and recognition is inefficient, slow, and unprepared particularly for a mass flow of migrants, a situation that could result in long waiting times (Selee and Bolter, 2020). Countries should assess what are the most likely drivers of informality in the migrant population to be able to design proper policies to address them accordingly.

---

<sup>14</sup> This measure could not be calculated for Mexico and Peru due to the lack of information

<sup>15</sup> PEP stands for “Permiso Especial de Permanencia” and PTP stands for “Permiso Temporal de Permanencia”

## Box 2: The profile of Venezuelan immigrants in Colombia

In this box we pay special attention to the Venezuelan migrants by examining their economic integration profile in the country that host the largest number of them, Colombia. A total of 1.6 million Venezuelan migrants have been reported to be in Colombia as of January 2020. Approximately 65% of these migrants are working-age individuals between 15 and 65 years of age.

When one looks at the labor force participation rate, Venezuelans compare fairly-well relative to Colombians. In particular, based on the 2019 household survey, the labor force participation rate of Venezuelans at 79.5% is relatively large compared to the rate for native population at 67.5%. But the labor force participation rate hides important differences among the two groups. For instance, there is significant gap in terms of the unemployment rate at 14.9% for Venezuelan migrants versus 10.4% for Colombians. The second dimension in which Venezuelans do not compare well is in the level of informality. For instance, 75% the percentage of working-age Venezuelans in the labor force that do not contribute to social security (our measure of informality) compared to 7% for the case of Colombians. Therefore, Venezuelans are very active in the labor force by having a job or by looking for one, but an important share is still unemployed or work in the informal sector.

**Table 2.1: Distribution of employed individuals by occupation, 2019 (percent)**

	Colombians	Venezuelans
<b>Managers</b>	12	4
<b>Professionals</b>	2	1
<b>Technicians and associate professionals</b>	8	4
<b>Clerical support workers</b>	17	20
<b>Services and sales workers</b>	19	30
<b>Agriculture, forestry and fishery workers</b>	16	6
<b>Craft and related trades workers, machine operators</b>	16	24
<b>Not specified</b>	10	10

Source: IDB calculations

Venezuelan migrants tend to access relative more low-skilled jobs than Colombians. Based on data from the household survey, for example, table 2.1 shows that while 22% of Colombian workers are employed as managers, professionals or technicians, only 9% of the Venezuelans hold this type of positions. The distribution of Venezuelan workers tends to be more concentrated towards clerical support, services and sales occupations. This bias towards low-skilled jobs can also be identified by looking at the distribution of jobs according to sectors. Table 2.2 shows that approximately 46% of Venezuelan workers are concentrated in jobs associated with wholesale and retail trade, restaurants and accommodation. This share is 20 percentage points larger than the one observed for the Colombians in these sectors.

Finally, table 2.3 present income gaps between Venezuelans and Colombians measured also with information from the household survey. In 2017, the average per capita household income for Colombians was 625 thousand pesos per month versus 383 thousand pesos for Venezuelans. Therefore, Colombians average per capita income was 1.63 times larger than that of the Venezuelans. The equivalent figures for 2018 and 2019 were 1.73 and 1.62, respectively.

**Table 2.2: Distribution of employed individuals by sector, 2019 (percent)**

	Colombians	Venezuelans
Agriculture, forestry and fishing	16	6
Mining and quarrying	1	0
Manufacturing	12	11
Electricity, gas, water	1	0
Construction	7	12
Wholesale and retail trade, restaurants and accomodation	26	46
Transportation and storage	8	5
Financial, insurance and real state activities	3	1
Social and community services	26	18

Source: IDB calculations

**Table 2.3: Income per capita (thousands of pesos per month)**

	2017	2018	2019
Colombians	625	658	845
Venezuelans	383	375	521
Ratio	1.63	1.75	1.62

Source: IDB calculations

### *Skill downgrading*

A relevant aspect to examine regarding the economic integration of the migrants is the degree of skill downgrading. In many countries, it is common to observe immigrants to “downgrade” their skills upon arrival. This happens because to access jobs quickly, many immigrants accept jobs for which they are overqualified (e.g. an engineering driving a taxi). This occurs even if immigrants are allowed to work formally.

Properly calculating the degree of skill downgrading is not a simple task. This requires actual data on the earnings received by the migrants, a sufficiently large number of migrants in different parts of the income distribution, information on the year of arrival and a good estimate about what earnings the immigrants should have received given their skills. Given such data availability in Chile, Colombia and Costa Rica, we calculated the degree of skill downgrading in these three countries, and compare the

results with estimations from the United States. We use these examples to open a more general discussion about the topic and to illustrate a number of relevant issues for the region.

To measure skill downgrading we follow closely the analysis in Dustmann et al (2016). First, we replicate, using a slightly different dataset, the results from this work for the United States and employ this example to explain the different steps in the methodology. Then, we introduce the results for Chile, Colombia and Costa Rica and compare the outcomes among the four countries.

The work in Dustmann et al (2016) relies on kernel estimates of the actual and predicted density of immigrants in the native earnings distribution. This is presented in figure 8a for the US.<sup>16</sup> The blue dashed line shows where recent immigrants (present in the country for no more than 5 years) are actually situated relative to the native distribution of earnings. This means that when the blue line is above the horizontal line, then immigrants are more concentrated than natives in that part of the earnings distribution. On the other hand, when the blue line is below the horizontal line then immigrants are less concentrated in a given percentile, relative to natives. For example, a point in the vertical axis of 1.4 at the 20 percentile indicates that immigrants are 1.4 times more likely than natives to be located at the 20th percentile of the native earnings distribution. If the earnings distribution of migrants were to be the same as the earnings distribution of the natives, the blue line would have been at the horizontal line at 1.

The solid black line in figure 8a denotes the position the immigrants would occupy in the native earnings distribution if immigrants were to receive the same earnings as the native workers do, given observable characteristics, such as education and age (the proxy for experience).<sup>17</sup> If immigrants were to receive the same earnings as the native workers based on these characteristics, the blue and the black line would coincide, but this is not the case. This is also shown in figure 8b which is simply the difference between the actual and predicted density of immigrants shown in figure 8a.

Figure 8b shows clear evidence of skill downgrading for recent immigrants in the US. The positive values at low percentiles mean that at this part of the distribution there are more immigrants than there should be if they were located according to their education and experience, while the negative values further up in the distribution mean that there are less immigrants than there should be in this

---

<sup>16</sup> The original analysis in Dustmann et al (2016) uses the US Census 2000. We employ the American Community Survey for the years 2014-2018

<sup>17</sup> The prediction is based on a model that includes age, education, their interaction, as well as regional and time fixed effects



part of the earnings distribution if they were located according to such characteristics. The evidence is indicative of skill downgrading.

Figure 9 repeats the results shown in Figure 8b for the US and it also includes the equivalent estimations for Chile, Colombia and Costa Rica. In order to calculate these kernel densities, we employ the household surveys of these countries for the following years: Chile (2011, 2013, 2015 and 2017), Colombia (2015-2018) and Costa Rica (2015-2019). The definition of recent immigrants corresponds to individuals that have been in the country for no more than 5 years for Chile and Colombia, and for no more than 2 years for the case of Costa Rica.<sup>18</sup> In general, we observe patterns similar to those in the US in the sense that positive values are observed mostly at the lower parts of the earnings distributions and negative values at the upper parts (the negative values for the very low percentiles in Chile is an exception). This denotes evidence of skill downgrading because in the lower parts of the distribution there are more immigrants than there should be if they were located according to their education and experience while in the upper parts there are less.

There are clearly some differences across the countries, however. For instance, the negative values for the very low percentiles in Chile indicate that there are less immigrants in this part of the distribution than there should be if they were to receive the same returns as the native-born workers. This suggests that in Chile, the immigrants in the very bottom of the earnings distribution (up to the 16 percentile) have managed to receive returns that are not at subpar levels relative to the native population. But that is reversed in the mid-low and middle part of the distribution where there are more immigrants than there should be according to observed characteristics. Another difference is that immigrants in Costa Rica are particularly overrepresented at around the 20<sup>th</sup> percentile (in the US, immigrants are also overrepresented at around the 10<sup>th</sup> percentile) while in Chile and Colombia, the immigrants are overrepresented over a wider range of the lower part of the distribution.

It is also important to point to the fact that the degree of skill downgrading might change over time. As time passes, the economic integration of immigrants might improve and thus the skill downgrading might fall. That is, as migrants spend more time in their host countries, they might receive a return that is closer to what they should, given their observed characteristics. Figure 10 compares the results shown in figure 9 for recent migrants with those for long-standing migrants (migrants that have been

---

<sup>18</sup> Costa Rica's household survey only employs the 2-year threshold since the time of arrival

in the country for more than 5 years).<sup>19</sup> Looking at the results for the United States, for example, one can see that the orange line for long-standing migrants is flatter and closer to the horizontal line than the green line. This means that as time goes on, the actual earnings of the migrants in the United States tend to converge to the earnings predicted considering given their experience. We also observe that in general skill downgrading falls as migrants spend more time in Chile, Colombia and Costa Rica, as the orange lines representing the long-standing migrants tend to converge to the horizontal lines. But in none of these countries skill downgrading disappears completely. For example, in Chile and Costa Rica, it is possible to observe still considerable shares of long-standing migrants receiving less than their predicted returns particularly around the 20<sup>th</sup> and 50<sup>th</sup> percentile of the distribution. This suggests that factors leading to downgrading might be less severe with time but that they do not entirely disappear as time passes. In the three countries, long-standing migrants in the top part of the distribution also receive less than their predicted returns, probably denoting the presence of frictions for the full integration of high-skilled migrants in these countries.

The drivers of migrants' skill downgrading could be similar to those that lead them to jobs in the informal sector: inefficiencies in credentials' accreditation and validation, information frictions in job matching process, mistrust of work authorizations and immigration statues, etc. Governments should carefully study what the specific factors that drive skill downgrading in their own countries are and design policies to address them.

#### *Economic integration of immigrants from the perspective of native-born workers*

So far, the analysis about the economic integration of immigrants has focused on the migrants per se, but it is also important to present this discussion from the perspective of the native-born workers. In particular, we raise a number of arguments to stress the desirability of promoting the economic integration of migrants from the point of view of the host countries.

Starting from the topic of informal labor, informality among the migrant population can be problematic to the host country for various reasons. It could negatively impact the most economically vulnerable native workers, as migrants would compete with the low-skilled native workers in the informal sector. This might in turn increase the wage gap or the gap in employability opportunities

---

<sup>19</sup> 2 years in the case of Costa Rica

that exist between the low-skilled and the high-skilled native workers. Given the large levels of wage inequality in the region, this is a situation that governments might want to avoid.

Then, if migrants are pushed to the informal sector, social integration might be hard to attain as well. Lack of economic and social integration might in turn, lead migrants to live in insulated communities affecting the equity and cohesion of the society as a whole. Absence of social cohesion could end up in the long run causing instability and social conflict. Fostering the economic integration and the assimilation of immigrants can promote a sense of belonging and trust which can deflect potential social conflict in the long run.

Regarding skill downgrading, there are also important consequences that the host countries need to take into consideration. When migrants downgrade, they are likely to hurt relatively more the local population with low skills because they are the ones who will face the competition from immigrants with higher skills. Again, this could increase the gap in earnings or employability between the low-skilled and the high-skilled native workers.

Note that skill downgrading is also a waste for the host countries because the immigrants are creating value below their potential, given their capabilities. Therefore, reducing skill downgrading might not only lower the likelihood of inducing more inequality among the native population but it could also increase the country's value added.

Finally, migrants could potentially open-up the wage gap between poor and rich native workers in a number of ways beyond the scenarios presented above. Consider the following example: a group of low-skilled immigrants working as fruit pickers in the strawberry industry are willing to supply their labor at lower wages than natives thus lowering the natives' salaries but also the strawberry grower's production costs. The growers might then increase output which may require hiring more high-skilled managers to supervise the expansion of production. In this example, the same group of migrants harmed low-skilled native workers by reducing their salaries but benefited high-skilled native individuals by increasing their employability. Low-skilled immigrants could also lower the costs of household services allowing high-skilled individuals that stay at home to increase their supply of labor, as found in Cortés and Tessada (2011). In these two examples the impacts of the immigrants increase the wedge between the low-skilled and the high-skilled natives. Box 2 also presents some evidence along these lines regarding the impact of Nicaraguans migrants in Costa Rica. The general prescription

in these cases is not to deny the economic integration of migrants but to design smart policies that take advantage of the benefits associated with the migrant's integration to the economy while addressing the costs.

### Box 3: The profile of working-age Nicaraguan immigrants in Costa Rica

In this box we examine the profile of Nicaraguan immigrants in Costa Rica with a focus on their economic integration. Nicaraguans have traditionally migrated to Costa Rica. In 1984 the share of Nicaraguan immigrants in Costa Rica was 1.95%. By 2000, this share had increased sharply to 5.9% due to a combination of a civil war and subsequent economic crises in Nicaragua as well as the catastrophic flooding from the slow motion of hurricane Mitch in 1998. Nicaraguan migrants continued to be attracted to Costa Rica after 2000 given the country's political stability and much higher living standards than Nicaragua's. The share of Nicaraguans in Costa Rica's total population increased to 6.13% by 2010 and to 7.44% by 2019.<sup>20</sup> Most notably, the share of working-age migrants from Nicaragua increased even more during this period, from 7.82% in 2010 to 9.59% in 2019.<sup>21</sup>

Nicaraguan working-age migrants in Costa Rica exhibit a large share of low-skill individuals. According to the 2019 household survey, for example, 78.3% of the working-age migrants had secondary education incomplete or less, and only 2% had completed tertiary education. This contrasts with the working-age native population in which 56.5% show an incomplete secondary education or less, while 9% possess a tertiary education degree.

Given the relatively low levels of education, Nicaraguans tend to work relatively more than Costa Ricans in low skilled jobs. Table 3.1 shows, for example, that 52% of Nicaraguans are employed in elementary occupations. The corresponding figure for Costa Ricans is 23%. Conversely, while 25% of Costa Rican workers are employed as managers, professionals or technicians only 6% of the Nicaraguans hold this type of jobs.

**Table 3.1: Distribution of employed individuals by occupation, 2019 (percent)**

Occupation	Costa Ricans	Nicaraguans
Managers	1.4	0.1
Professionals	13.7	1.5
Technicians and Associate Professionals	10.2	4.1
Clerical Support Workers	10.3	3.4
Services and Sales Workers	20.7	20.9
Skilled Agr., Forestry and Fishery Workers	2.8	1.8
Craft and Related Trades Workers	9.8	12.2
Plant and Machine Operators and Assemblers	7.4	3.9
Elementary Occupations	23.4	52.3
Not specified	0.1	0.0

Source: IDB calculations

The bias towards elementary occupations can also be seen at the sectorial level. Table 3.2 shows that Nicaraguan workers tend to be concentrated relatively more than Costa Ricans in low-skilled intensive sectors, like agriculture, construction, hotels and restaurants, and domestic services in households.

**Table 3.2: Distribution of employed individuals by sector, 2019 (percent)**

	Costa Ricans	Nicaraguans
Agriculture, forestry and fishing	9.5	15.1
Mining and quarrying	0.1	0.1
Manufacturing	11.1	8.8
Electricity, gas, steam and air conditioning supply	0.9	0.1
Water supply; sewerage, waste management	0.6	0.5
Construction	5.3	14.9
Wholesale and retail trade	15.8	11.9
Transportation and storage	5.3	2.3
Accommodation and food service activities	6.0	9.7
Information and communication	2.6	0.9
Financial and insurance activities	3.2	0.5
Real estate activities	0.5	0.9
Professional, scientific and technical activities	3.9	1.3
Administrative and support service activities	5.9	5.9
Public administration and defense	5.8	1.1
Education	7.7	1.0
Human health and social work activities	4.0	1.4
Arts, entertainment and recreation	1.6	1.3
Other service activities	3.8	4.2
Activities of households as employers	6.4	18.1
Activities of extraterritorial organizations	0.2	0.2

Source: IDB calculations

Since Nicaraguan immigrants tend to be absorbed predominantly in low-skilled jobs, theory suggests that if anything, the low-skilled Costa Ricans are the most likely workers to be affected. The empirical evidence in Gindling (2009) supports this notion, but interestingly he also finds some additional effects. According to this work, Nicaraguan migration reduces the earnings of Costa Rican women with less than a complete secondary education but increases the earnings of those with a secondary complete and university education (no significant impact on male workers). Given that Nicaraguan women are relatively concentrated in domestic services, the results suggest that the negative effect arises by the increased competition that low-skilled Costa Rican women face in the market for domestic servants, while at the same time, the increased supply of Nicaraguan women in this sector complements high-skilled Costa Rican women, by facilitating them getting jobs at higher wages.

<sup>20</sup> Nicaraguans represent around 75% of all immigrants in Costa Rica

<sup>21</sup> These figures come from Costa Rica's population censuses (1984 and 2000) and the household survey (2019)

## 4 Concluding remarks

This analysis uses information from recent household surveys and population censuses to present the profile of immigrants in 14 countries of Latin American and the Caribbean with a focus on economic integration. The analysis presents the profile of the migrants on various dimensions and compares them with the respective profiles of the non-immigrant population. This approach allows us to identify gaps between migrants and the native born and discuss some migration-related topics that are important for the region.

We found that there is substantial heterogeneity across the countries in the age structure of their migrants, but in general there is a large share of migrants in the working-age group. For a region that is aging more rapidly than other parts of the world, migration could be an important factor to ensure population stability or growth. In education, we also find wide heterogeneity in the educational composition of the migrant vs native populations; however, on average, the migrant population is more heavily concentrated on individuals with either completed secondary or tertiary studies, relative to their native counterparts.

We also found migrants to be a very active group in the labor force, either by having a job or by looking for one. On average, the labor force participation rate of migrants is equal to 65.9% and 65.1% for the native population. Similarly, the average unemployment rate of the migrant population at around 6.6% is not much different than for the natives. Where we observed a consistent gap between migrants and natives across the countries of the region is in the level of informality. The average share of migrant workers under informality is 65% while 50% for the native born. Even in countries where the level of informality among the native population is very large, the level of informality among the migrant population is even larger. We also observed evidence of skill downgrading. There are normally more immigrants than there should at the lower part of the income distribution, given their education and experience levels.

The large levels of informality and skill downgrading can be problematic for a number of reasons, particularly because they could impact negatively the most economically vulnerable native workers. Informality and skill downgrading also represent a considerable degree of lost opportunities for the host countries because the immigrants are creating less value than what they could, given their capabilities. We discuss the drivers to informality and skill downgrading among the migrant

population, including restrictions to the formal labor market, mistrust in the newly created work authorizations and immigration statues, inefficiencies in the accreditation and validation of credentials, or information frictions regarding job opportunities. Governments should study carefully what are the specific factors that drive skill downgrading in their own countries and design proper policies to address them.



## References

- Acosta, Diego, Cécile Blouin and Luisa Feline Freier, 2019. “La emigración venezolana: respuestas latinoamericanas,” Documentos de Trabajo N0.3, Fundación Carolina.
- Bahar, Dany and Meagan Dooley, 2019. “Venezuela refugee crisis to become the largest and most underfunded in modern history” Brookings Institution Up Front Blog.
- Bahar, Dany, Ana Maria Ibanez and Sandra Rozo, 2020. Give me Your Tired and Your Poor: Impact of Large-Scale Amnesty Program for Undocumented Refugees. IADB. Draft
- Becker, Sascha O. and Andreas Ferrara, 2019. “Consequences of forced migration: A survey of recent findings,” *Labour Economics*, Vol 59.
- Blau, Francine and Christopher Mackei, 2016. *The Economic and Fiscal Consequences of Immigration. A Report of the National Academies of Science, Engineering and Medicine.* Francine D. Blau and Chrstopher Mackie, *Editors.* The National Academies Press. Washington, DC.
- Bolívar, Ligia, 2019. Crisis migratoria venezolana y responsabilidad de los Estados. Programa Venezolano de Educación-Acción en Derechos Humanos (PROVEA)
- Bosch, Mariano, Carmen Pagés and Laura Ripani, 2018. *The Future of Work in Latin America and the Caribbean. A Great Opportunity for the Region?* Inter-American development Bank. Washington DC.
- Conpes 3950, 2019. *Estrategia para la Atención de la Migración desde Venezuela.* Consejo Nacional de Política Económica y Social. República de Colombia. Departamento Nacional de Planeación.
- Dustmann, Christian, Uta Schönberg, and Jan Stuhler, 2016. “The Impact of Immigration: Why Do Studies Reach So Different Results?” *Journal of Economic Perspectives*, Vol 30 (4).
- OAS, 2019. *OAS Working Group to Address the Regional Crisis Caused by Venezuela’s Migrant and Refugee Flows.* Organization of American States.
- Gindling, T. H., 2009. “South-south migration: the impact of Nicaraguan immigrants on earnings, inequality and poverty in Costa Rica,” *World Development*, 37:116-126.
- IDB, 2019, *Flujos migratorios en Centroamérica – Presente y perspectivas a futuro.* Unpublished document. Inter-American Development Bank. Washington DC.
- Namen, Olga, Mounu Prem, Sandra Rozo and Juan Vargas, 2020. *The Effect of Venezuelan Migration on Educational Outcomes in Colombia.* IADB. Draft
- Morales, Fernando and Martha Denisse Pierola, 2020. *Venezuelan Migration in Peru: Adjustments in the Domestic Labor Market.* IADB. Draft
- Peri, Giovanni, 2020, “Immigrant Swan Song. Immigration can Solve the Demographic Dilemma but not Without the Right Policies,” *Finance & Development*, March.

Reina, Mesa and Ramírez Tobón, 2018. Elementos para una Política Pública Frente a la Crisis de Venezuela. Fedesarrollo, 2018

Selee, Andrew and Jessica Bolter, 2020. An Uneven Welcome. Latin America and the Caribbean Responses to Venezuelan and Nicaraguan Migration. Migration Policy Institute. Washington DC.

UN, 2019. Situation Response for Venezuelans. Coordination Platform for Refugees and Migrants from Venezuela, IOM and UNHCR

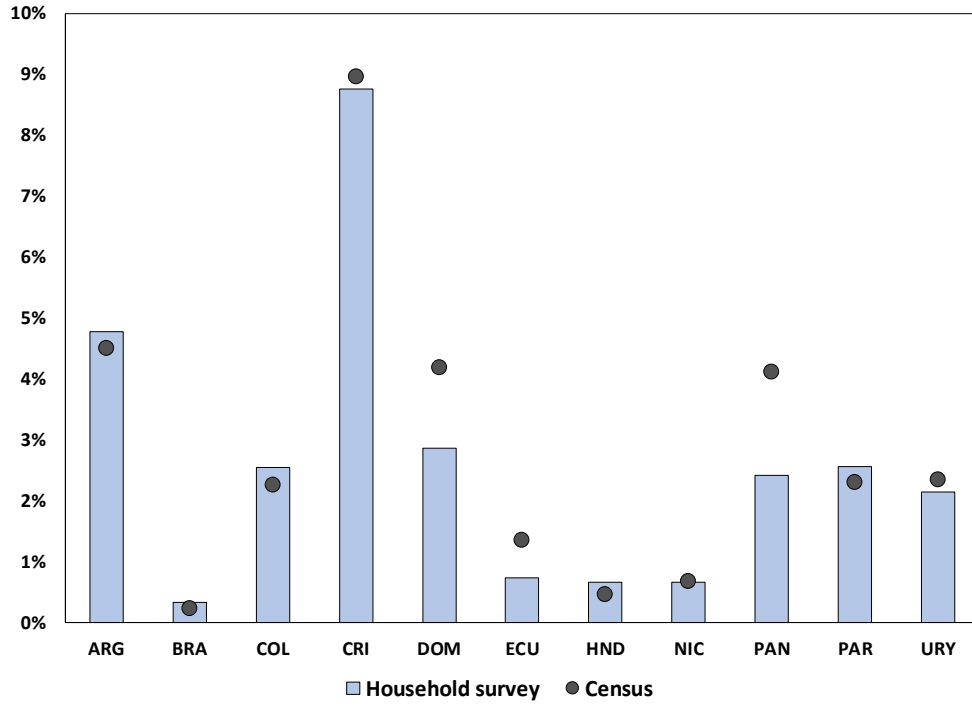
UN, 2019b. Refugee and Migrant Response Plan 2020. Coordination Platform for Refugees and Migrants from Venezuela, IOM and UNHCR

Universidad del Rosario, 2019. Retos y Oportunidades de la Movilidad Humana Venezolana en la Construcción de una Política Migratoria Colombiana. Observatorio de Venezuela. Universidad del Rosario.

**Table 1: Countries and data sources**

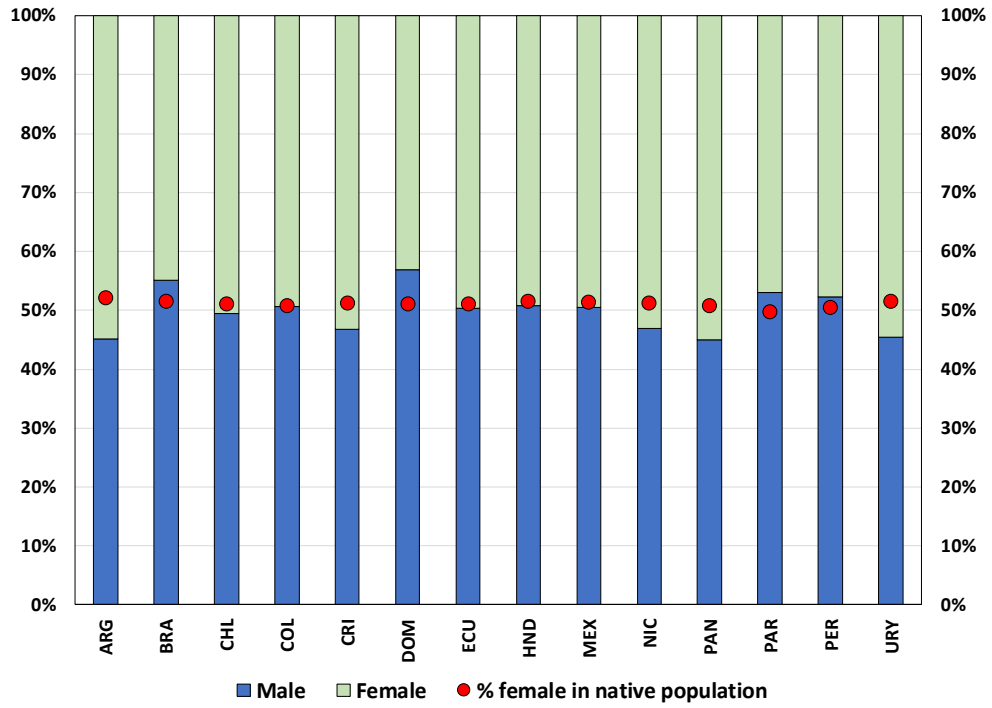
<b>Country</b>	<b>Data sources</b>	<b>Year</b>
Argentina	Household survey	2019
Brazil	Household survey	2015
Chile	Population Census	2017
Colombia	Household survey	2019
Costa Rica	Household survey	2019
Dominican Republic	Household survey	2018
Ecuador	Household survey	2019
Honduras	Household survey	2018
Mexico	Population Census	2015
Nicaragua	Household survey	2014
Panama	Household survey	2019
Paraguay	Household survey	2017
Peru	Household survey, ENPOVE	2017 (HS) 2018 (ENPOVE)
Uruguay	Household survey	2018

Figure 1: Share of migrants in total population



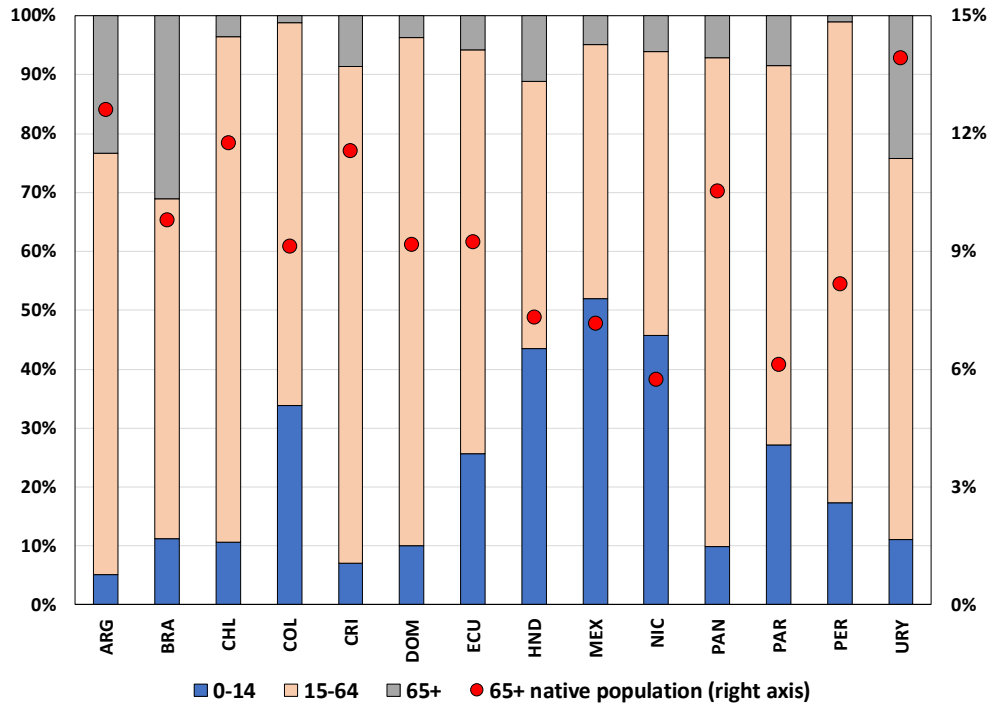
Source: IDB calculations

Figure 2: Gender composition of the immigrant population



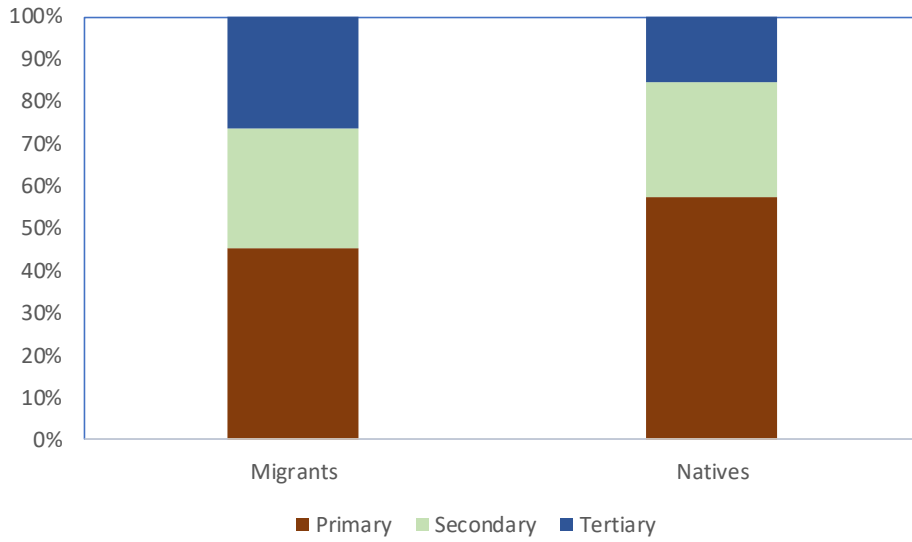
Source: IDB calculations

Figure 3: Age structure of the immigrant population



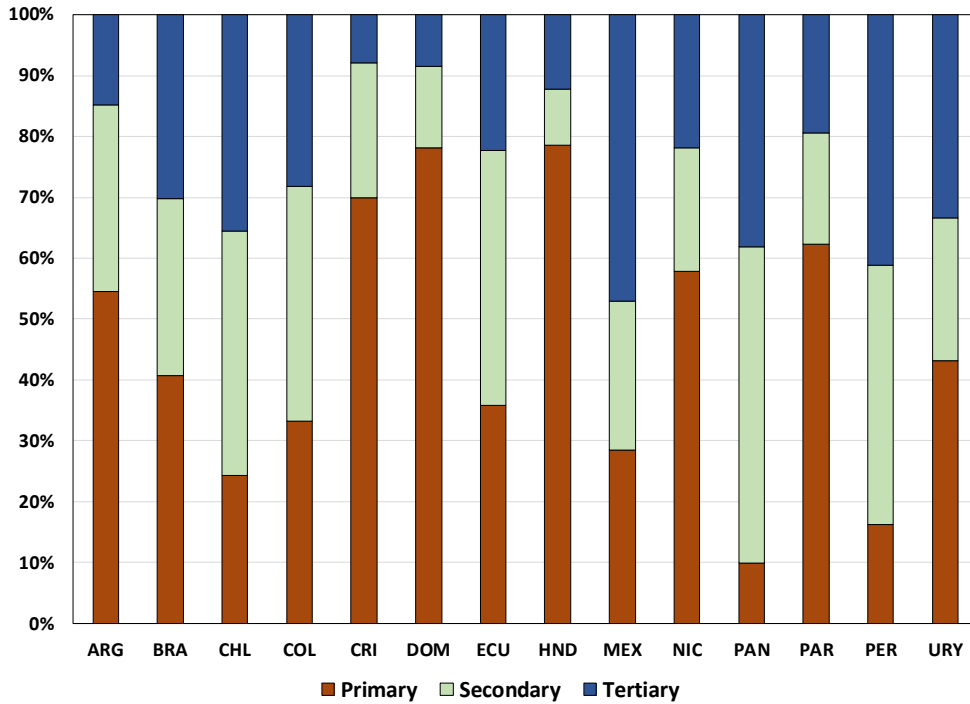
Source: IDB calculations

**Figure 4a: Average education profile of immigrants and natives, 25 years of age and above**



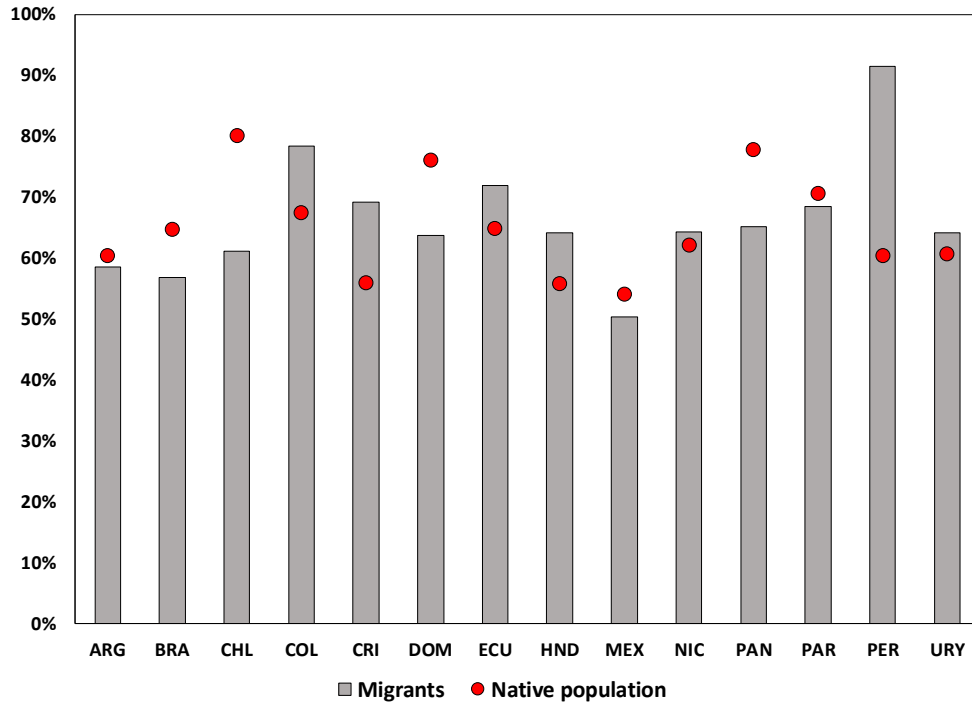
Source: IDB calculations

**Figure 4b: Education profile of immigrants of 25 years of age and above**



Source: IDB calculations

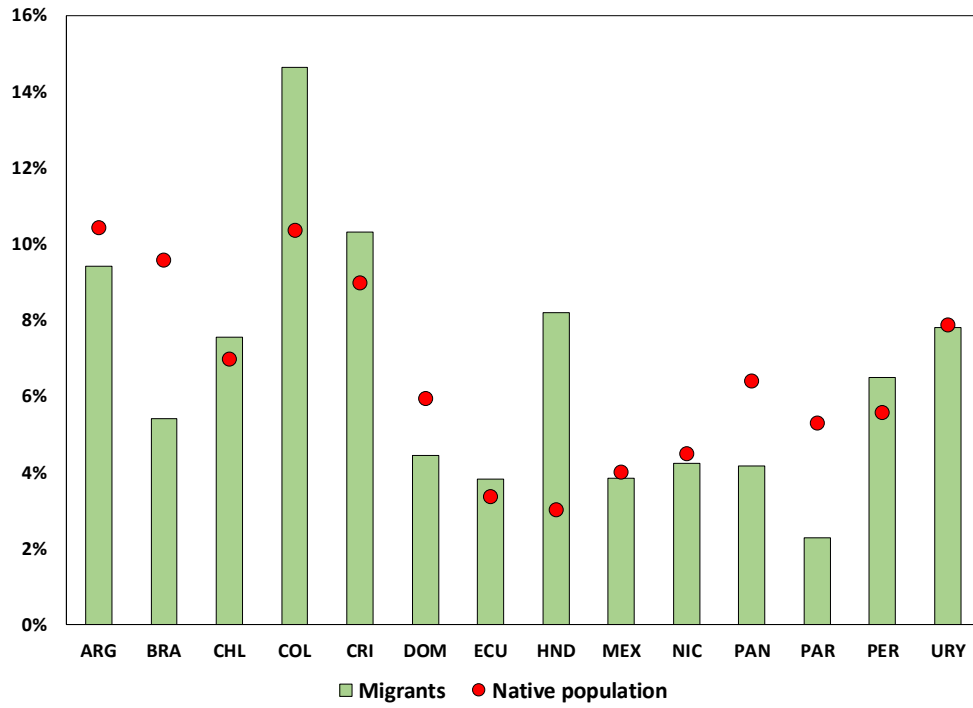
Figure 5: Labor force participation rate



Source: IDB calculations

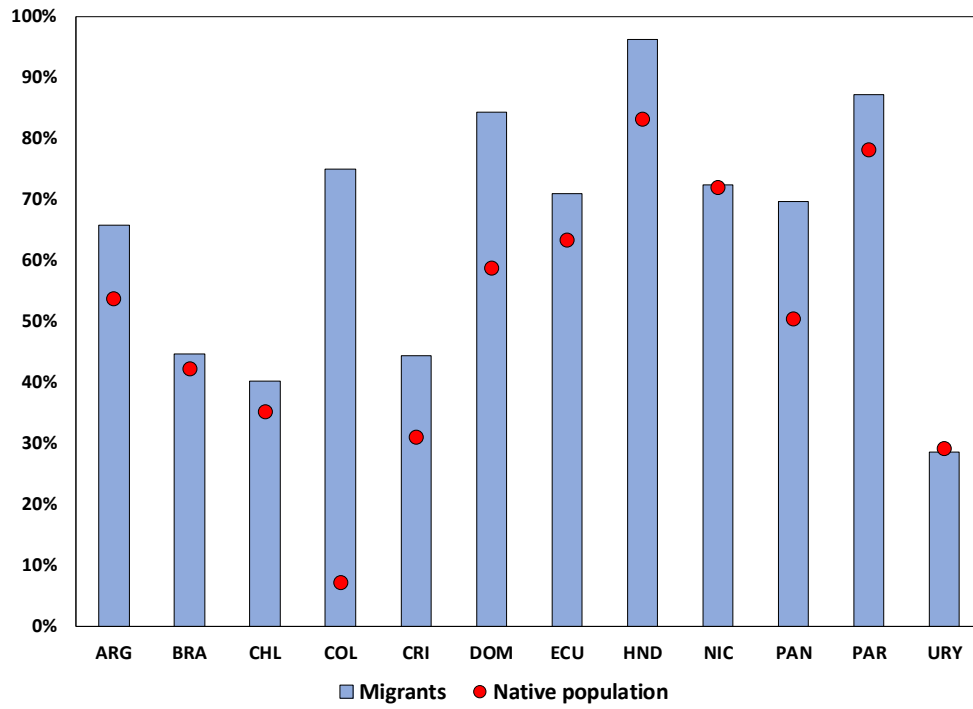


Figure 6: Unemployment rate



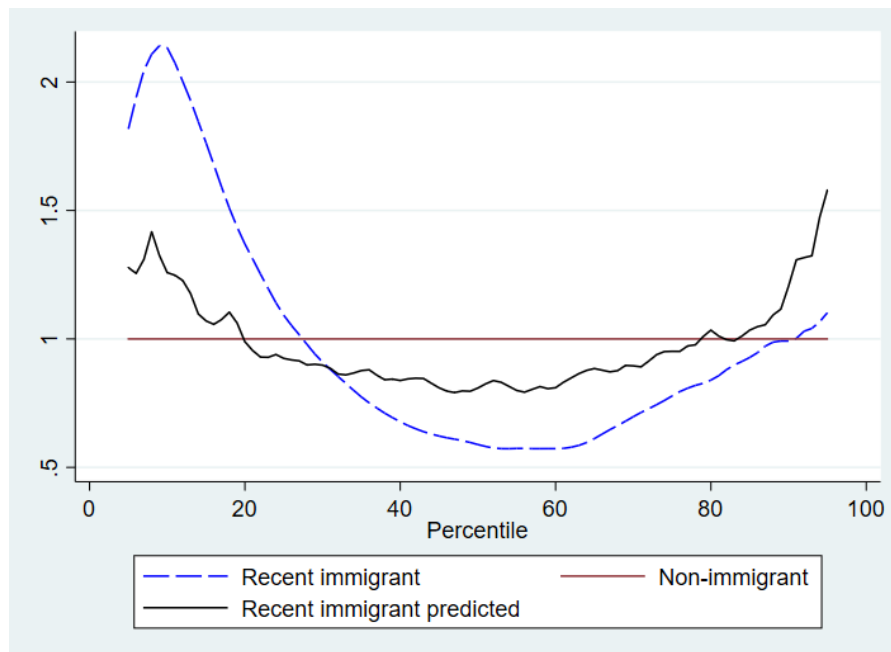
Source: IDB calculations

**Figure 7: Share of individuals in the labor force that do not contribute to the social security system**



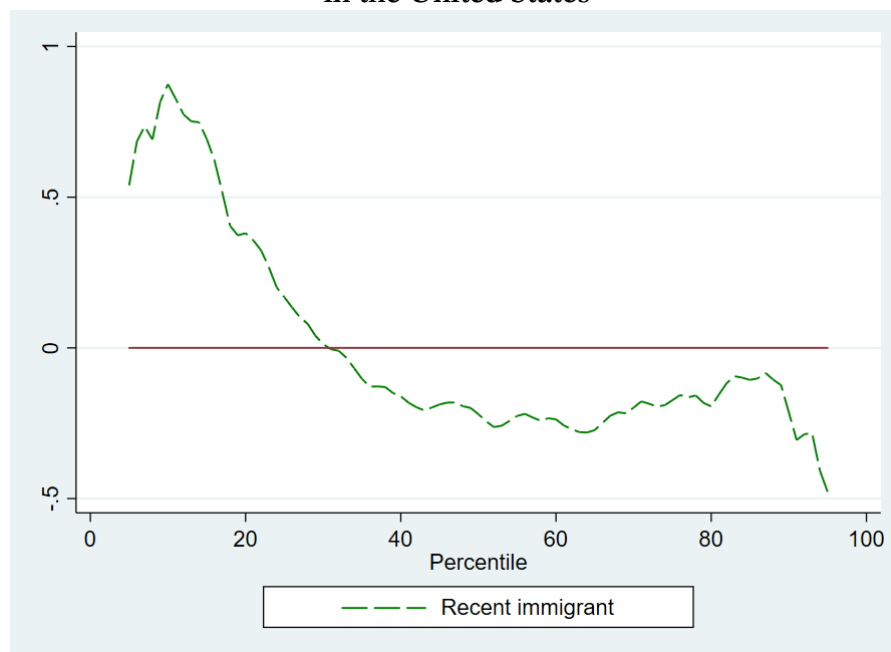
Source: IDB calculations

**Figure 8a: Actual and predicted positions of recent immigrants in the United States in the native earnings distribution**



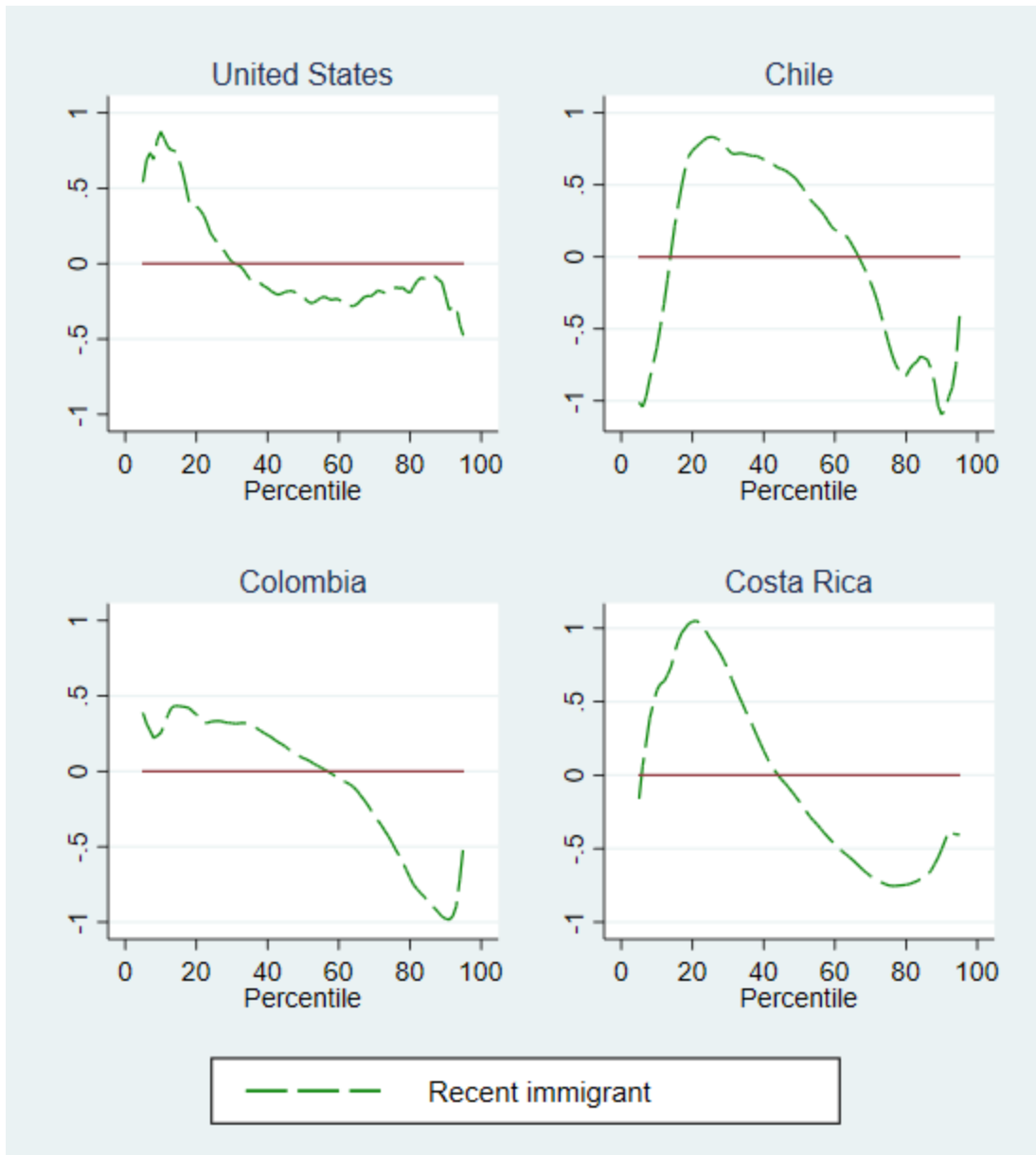
Source: IDB calculations

**Figure 8b: Difference between actual and predicted density of immigrants in the United States**



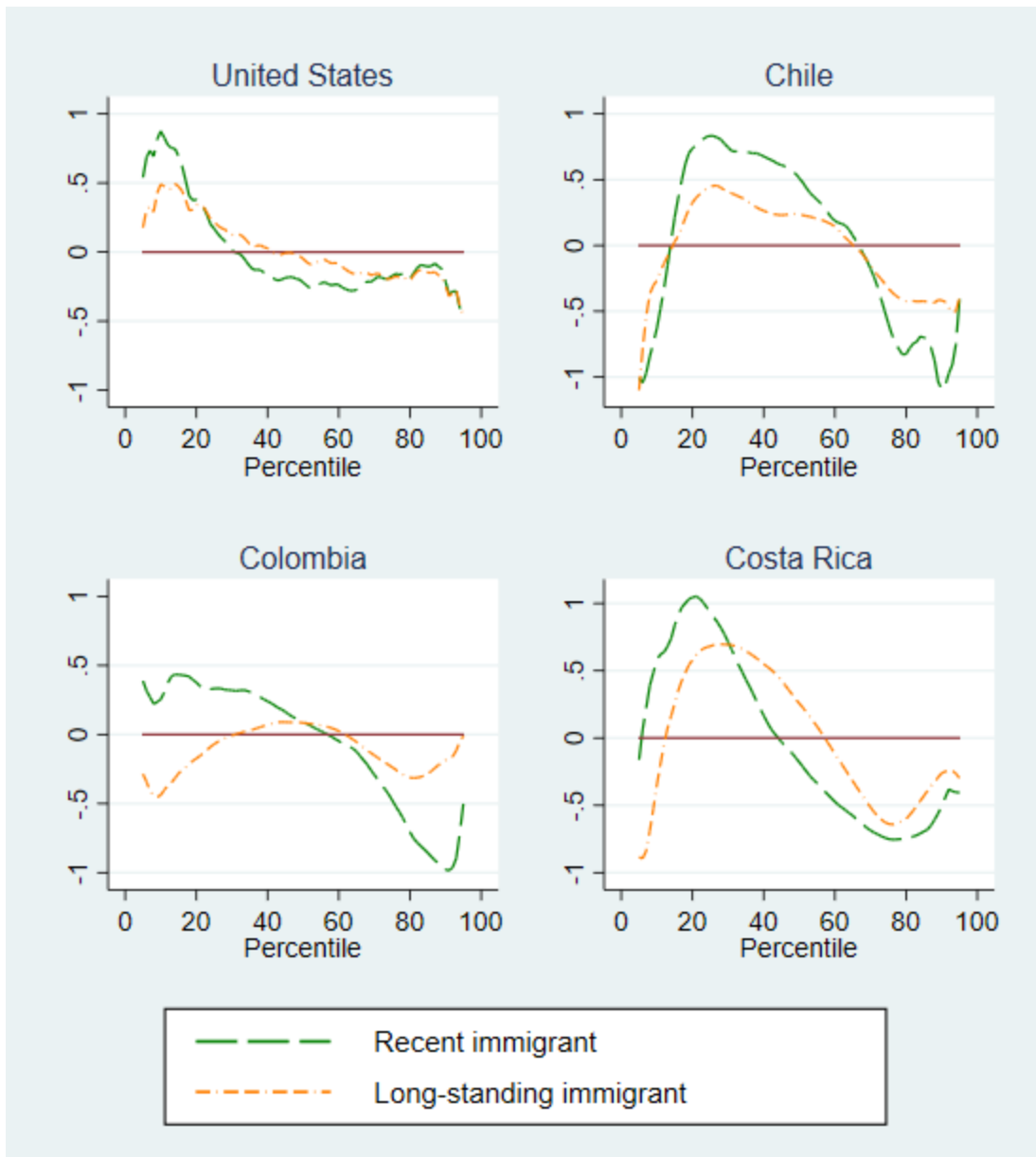
Source: IDB calculations

Figure 9: Difference between actual and predicted density of immigrants



Source: IDB calculations

Figure 10: Difference between actual and predicted density of recent and long-standing immigrants



Source: IDB calculations