

# From Displacement to Development

How Colombia Can Transform  
Venezuelan Displacement into  
Shared Growth

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## PREFACE

In most low- and middle-income countries, refugees and forced migrants face a range of legal, administrative, and practical barriers that prevent their economic inclusion. Removing these barriers would enable displaced people to become more self-reliant and more fully contribute to their host communities.

Such efforts are even more important as the world looks to economically recovery from COVID-19. While the pandemic has created unprecedented challenges for low- and middle-income countries around the world, it has also highlighted the importance of expanding economic inclusion. Refugees and forced migrants can, and do, play a crucial role within labor markets. Given the opportunity, they can help their host countries recover from this crisis.

This case study is part of the “Let Them Work” initiative, a three-year program of work led by the Center for Global Development (CGD) and Refugees International and funded by the IKEA Foundation and the Western Union Foundation. The initiative aims to expand labor market access for refugees and forced migrants, by identifying their barriers to economic inclusion and providing recommendations to host governments, donors, and the private sector for how to overcome them. The primary focus is on refugees and forced migrants in Colombia, Peru, Kenya, and Ethiopia, with other work taking place at the global level.

To learn more about the initiative, please visit [cgdev.org/page/labor-market-access](https://cgdev.org/page/labor-market-access) and get in touch.

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## FOREWORD: PROJECT OVERVIEW AND THE IMPACT OF COVID-19

Economic inclusion—and with it access to decent work—is an important right for refugees and forced migrants that governments must recognize.<sup>1</sup> When displaced individuals are included in their host countries' economies, they can become self-reliant and live better, more dignified lives. In addition, they can more fully contribute their skills and knowledge to strengthen their host countries' economies, creating widely shared benefits.<sup>2</sup> However, in many countries, refugees and forced migrants face a range of legal, administrative, and practical barriers that prevent them from being included in local economies, reaching their potential, and maximizing their contributions to host communities.

This case study is part of a series of publications by Refugees International (RI) and the Center for Global Development (CGD) focusing on labor market access and economic inclusion for refugees and forced migrants. The series provides insights into and analysis of questions related to economic inclusion in countries around the world. It includes case studies of four countries: Colombia, Ethiopia, Kenya, and Peru. The publications aim to (1) identify the barriers to labor market access and economic inclusion that refugees and forced migrants face in host countries, (2) analyze the impacts and benefits of improving economic inclusion, (3) make policy recommendations to help maximize the positive outcomes of economic inclusion, and (4) open a policy dialogue around these findings.

This case study draws on research conducted by a joint CGD-RI team, including during a research mission to Colombia in November 2019. At the time, the Colombian government and its partners had already made concerted efforts to determine key obstacles to Venezuelans' economic inclusion and developed a plan of action to confront those barriers. Nevertheless, many Venezuelans still struggled to integrate into the economy.

Most of this paper was completed prior to the onset of the COVID-19 pandemic, which has exacerbated the situation of refugees and forced migrants around the world.<sup>3</sup> As countries closed their borders, shut down nonessential businesses, and implemented strict quarantine measures to contain the spread of the virus, it became clear that the humanitarian and economic toll of COVID-19 would have deep, long-lasting effects beyond the immediate public health crisis. In this context, refugees and forced migrants are among the most vulnerable. They often work in sectors of the economy most highly affected by the pandemic, have less savings, and are excluded from social programs—including health systems and social safety nets—that could offer recourse.<sup>4</sup>

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<sup>1</sup> We define forced migrants as individuals who have been forced to flee from their countries of origin due to economic, political, or security challenges and have for whatever reason not been granted official refugee status.

<sup>2</sup> Michael Clemens, Cindy Huang, and Jimmy Graham, "The Economic and Fiscal Effects of Granting Refugees Labor Market Access," Center for Global Development, October 9, 2018, <https://www.cgdev.org/publication/economic-and-fiscal-effects-granting-refugees-formal-labor-market-access>.

<sup>3</sup> See the recent CGD-RI-International Rescue Committee policy paper for a more detailed discussion of the impacts of COVID-19 on refugees around the world: Helen Dempster, Thomas Ginn, Jimmy Graham, Martha Guerrero Ble, Daphne Jayasinghe, and Barri Shorey, "Locked Down and Left Behind: The Impact of COVID-19 on Refugees' Economic Inclusion," Center for Global Development, Refugees International, International Rescue Committee, July 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/locked-down-left-behind-refugees-economic-inclusion-covid.pdf>.

<sup>4</sup> Helen Dempster, Thomas Ginn, Jimmy Graham, Martha Guerrero Ble, Daphne Jayasinghe, and Barri Shorey, "Locked Down and Left Behind: The Impact of COVID-19 on Refugees' Economic Inclusion," Center for Global Development, Refugees International, and IRC, July 2020, <https://www.cgdev.org/sites/default/files/locked-down-and-left-behind-paper-71320.pdf>.

Displaced Venezuelans in Colombia face many of these difficulties.<sup>5</sup> In mid-March, the Colombian government closed the country's borders and implemented strict quarantine measures that brought the economy to a halt. In June, experts predicted that Colombia's GDP will shrink by 7.8 percent in 2020.<sup>6</sup> The impact has disproportionately affected Venezuelans. Prior to the outbreak of COVID-19, about 64 percent of employed Venezuelans worked in sectors of the economy that have been most affected by the virus, compared to 47 percent of employed Colombians. As a result, thousands of Venezuelans in Colombia are losing their livelihoods. Without a source of income, many are facing eviction and homelessness and turning to negative coping mechanisms such as survival sex.<sup>7</sup> By September 2020, more than 110,000 Venezuelans had even made the unthinkable trip back home.<sup>8</sup> Although this represents just a fraction of the nearly 1.8 million Venezuelans estimated to be living in Colombia, the trend is an indicator of just how precarious the situation is.<sup>9</sup>

Since the beginning of the outbreak, the Colombian government has worked to include Venezuelans in its pandemic response and recovery plans. In April, it released a dedicated six-point plan for supporting Venezuelans during the outbreak. As part of the plan, the government is working with international partners to provide emergency cash transfers and access to food, shelter, and clean water.<sup>10</sup> The government also has expanded insurance coverage for Venezuelans and made access to COVID-19 care free in public hospitals.<sup>11</sup>

In its six-point plan, the government acknowledged the need to begin focusing not only on humanitarian support but on economic recovery and inclusion for Venezuelans—even as the pandemic continues. Indeed, COVID-19 has made economic inclusion for refugees more important than ever. For example, by allowing refugee medical professionals to apply their skills in the workforce, governments can work with their refugee populations to fight the virus. Greater economic inclusion also can stimulate economic recovery, help the country escape economic recession, and allow refugees to overcome their increasingly dire economic circumstances.<sup>12</sup>

The pandemic has created unprecedented challenges for Colombia and other countries around the world. However, it also has highlighted the importance of expanding refugees' economic inclusion and generating sustainable, positive outcomes for them and their host communities. The government of Colombia, the international community, the private sector, and civil society all have important roles

<sup>5</sup> Please refer to the recent CGD-RI case study for more detailed discussions about the impacts of COVID-19 on Colombia and Venezuelans in Colombia: Jimmy Graham, Martha Guerrero Ble, and Helen Dempster, "The Effect of COVID-19 on the Economic Inclusion of Venezuelans in Colombia," Center for Global Development and Refugees International, <https://www.cgdev.org/publication/effect-covid-19-economic-inclusion-venezuelans-colombia>, Melanie Teff and Daphne Panayotatos, "Crises Colliding: The Mass Influx of Venezuelans into the Dangerous Fragility of Post-peace Agreement in Colombia," Refugees International, January 2019, <https://static1.squarespace.com/static/506c8eale4b01d9450dd53f5/t/5c5da213652deab29333e4eb/1549640213352/Colombia+Report+-+January+2019+-+2.0.pdf>.

<sup>6</sup> Mauricio Cárdenas and Humberto Martínez, "COVID-19 in Colombia: Impact and Policy Responses," Center for Global Development, July 2020, <https://www.cgdev.org/sites/default/files/Cardenas-Beltran-Covid-in-Colombia.pdf>.

<sup>7</sup> Graham et al., "The Effect of COVID-19."

<sup>8</sup> Organization of American States, "OAS Report Highlights Difficulties for Venezuelans Returning or Trying to Return Home," September 9, 2020, [https://www.oas.org/en/media\\_center/press\\_release.asp?sCodigo=E-091/20](https://www.oas.org/en/media_center/press_release.asp?sCodigo=E-091/20).

<sup>9</sup> R4V, "GIFMM Colombia: Venezuelans in Colombia—May 2020," July 2020, <https://data2.unhcr.org/en/documents/details/78031>.

<sup>10</sup> Government of Colombia, "Colombia incluye a los migrantes en su respuesta frente al COVID-19 pero necesita más apoyo internacional," April 2020, <https://docs.google.com/viewerng/viewer?url=http://colombiasinfronteras.com/wp-content/uploads/2020/04/2020-04-06-Balance-General-Covid19-y-migrantes-Venezolanos.pdf&hl=es>.

<sup>11</sup> Daphne Panayotatos and Rachel Schmidtke, "Searching for Home: How COVID-19 Threatens Progress for Venezuelan Integration in Colombia," Refugees International, May 2020, <https://www.refugeesinternational.org/reports/2020/5/21/searching-for-home-how-covid-19-threatens-progress-for-venezuelan-integration-in-colombia>.

<sup>12</sup> Dempster et al., "Locked Down and Left Behind."

to play in promoting that outcome. This case study thus aims to support ongoing efforts by highlighting the benefits of continued progress and recommending measures to improve the response. And although the analysis was conducted using data from before the outbreak, the effects of COVID-19 have only exacerbated pre-existing barriers to economic inclusion. Therefore, the recommendations are as relevant as ever. Where appropriate, reporting and recommendations have been updated to reflect some of the additional challenges that the pandemic has created.<sup>13</sup>

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<sup>13</sup> For a more in-depth analysis of the specific effects of COVID-19 on Venezuelans in Colombia, please refer to the recent CGD-RI policy paper: Graham et al., “The Effect of COVID-19.”



## LIST OF ACRONYMS

CGD	Center for Global Development
DANE	<i>Departamento Administrativo Nacional de Estadísticas</i> (National Administrative Department of Statistics)
GEIH	<i>Gran Encuesta Integrada de Hogares</i> (integrated household survey)
IDP	Internally displaced person
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
ISCO	International Standard Classification Codes
PECP	<i>Permiso Especial Complementario de Permanencia</i> (special complementary residence permit)
PEP	<i>Permiso Especial de Permanencia</i> (special residence permit)
PEPFF	<i>Permiso Especial de Permanencia para el Fomento de la Formalización</i> (special residence permit for encouraging formalization)
PIP	<i>Permiso de Ingreso y Permanencia</i> (entry and residence permit)
PIP-TT	<i>Permiso de Ingreso y Permanencia de Tránsito Temporal</i> (temporary transit and residence permit)
RAMV	<i>Registro Administrativo de Migrantes Venezolanos</i> (administrative registry of Venezuelan migrants)
RI	Refugees International
RMRP	Refugee and Migrant Response Plan
R4V	Response for Venezuelans
TMF	<i>Tarjeta de Movilidad Fronteriza</i> (border mobility card)
UNHCR	United Nations High Commissioner for Refugees

## EXECUTIVE SUMMARY

The humanitarian, political, and economic crisis in Venezuela has displaced millions of people. As of October 2020, the number of Venezuelan refugees and migrants around the world reached nearly 5.5 million.<sup>14</sup> Neighboring Colombia is hosting far more Venezuelans than any other country—approximately one-third of the total.<sup>15</sup>

The government of Colombia has extended a relatively generous welcome to displaced Venezuelans. In partnership with international organizations, donors, non-governmental organizations (NGOs), and the private sector, it has mobilized a robust humanitarian response and taken steps to integrate Venezuelans into its society and economy. Of the nearly 1.8 million Venezuelans in the country as of August 2020, about 763,000 Venezuelans had been able to regularize their status in Colombia.<sup>16</sup> This means that they have obtained documented legal permission to reside in the country and have access to basic rights and services, including, for most, the right to work.<sup>17</sup>

However, a wide range of legal, administrative, structural, and social barriers prevents many Venezuelans from being able to fully meet their needs or realize their rights in practice.<sup>18</sup> As a result, many Venezuelans are struggling to make progress toward economic inclusion—defined as the achievement of decent work and labor income commensurate with one’s skills. Prior to the outbreak of COVID-19, employed Colombians were earning 43 percent more on average than employed Venezuelans, despite the fact that Venezuelans are highly educated. Venezuelans also have much higher rates of informal work.<sup>19</sup>

Meanwhile, many Colombians also struggle to achieve economic inclusion, and the nearly continuous arrival of Venezuelans to Colombia in the past few years has strained the government’s capacity to respond to both populations’ needs. Rising social tensions and growing debt created added pressures, coupled with a continuing internal conflict and the resulting internal displacement crisis.<sup>20</sup> Furthermore, COVID-19 has wreaked havoc on the country’s economy and health systems, exacerbating protection concerns for Colombians and Venezuelans alike.<sup>21</sup> Even in this increasingly difficult context, the international response to the Venezuelan displacement crisis remains severely underfunded.<sup>22</sup>

These challenges underscore the importance of implementing policies that enable Colombia to reap the potential benefits of migration—including by supporting Venezuelans’ economic inclusion. The arrival of Venezuelans and the government’s response have already yielded a number of benefits,

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<sup>14</sup> According to the United Nations Coordination Platform for Refugees and Migrants from Venezuela (R4V), “This figure represents the sum of Venezuelan migrants, refugees and asylum-seekers reported by host governments. It does not necessarily imply individual identification, nor registration of each individual, and may include a degree of estimation, as per each government’s statistical data processing methodology. As numerous government sources do not account for Venezuelans without a regular status, the total number of Venezuelans is likely to be higher.” United Nations, “Plataforma de Coordinación para Refugiados y Migrantes de Venezuela” [R4V Coordination Platform for Refugees and Migrants from Venezuela], accessed August 5, 2020, <https://r4v.info/en/situations/platform>.

<sup>15</sup> R4V Coordination Platform for Refugees and Migrants from Venezuela, accessed August 5, 2020, <https://r4v.info/en/situations/platform>.

<sup>16</sup> GIFMM, “GIFMM Colombia: Venezuelans in Colombia—May 2020,” July 28, 2020, <https://r4v.info/en/documents/details/78031>.

<sup>17</sup> Gobierno de Colombia, “Estrategia de generación de ingresos para la población migrante proveniente de Venezuela y las comunidades de acogida,” November 2019.

<sup>18</sup> Gobierno de Colombia, “Estrategia de generación de ingresos.”

<sup>19</sup> See the Gaps in Realizing Venezuelans’ Economic Inclusion section for details.

<sup>20</sup> See the Impacts of the Arrival and Economic Inclusion of Venezuelans section for details.

<sup>21</sup> Graham et al., “The Effect of COVID-19.”

<sup>22</sup> R4V Coordination Platform.



including an increase in gross domestic product (GDP) growth, fewer labor shortages, and a positive impact on the employment rate for Colombians.<sup>23</sup> Continuing to make policy progress can amplify these positive outcomes and address the remaining challenges.

Increasing Venezuelans' economic inclusion would enable more Venezuelans to secure decent work and higher incomes. It would give them financial independence to provide for their own needs, such as healthcare and housing, and would in turn reduce their protection risks. Greater economic inclusion would allow Venezuelans to make even more contributions to the economy, thereby generating benefits to be shared with their host communities. It would certainly have some distributional impacts—some Colombians would be negatively affected in the labor market, at least in the short run. Nevertheless, the net effects for Colombians would be positive, and Colombian workers earning the least would likely gain the most. Moreover, policymakers could multiply benefits by eliminating barriers that hinder the economic inclusion of disadvantaged populations in Colombian host communities.<sup>24</sup> In addition to low-income individuals, internally displaced people (IDPs), and indigenous communities, these include Colombian nationals who had moved to Venezuela as refugees or migrants themselves and have now returned ("returnees").

Using nationally representative labor market data from the end of 2019, we estimate that, **if all Venezuelan-specific barriers to economic inclusion were lowered, the following would be true:**

- **Venezuelans' average monthly income would increase from \$131 to \$186.**<sup>25</sup> This would translate into an increase of at least \$996 million in Colombia's annual GDP, creating a positive ripple effect for Colombian host communities.
- **The total number of formal Venezuelan workers would increase from 293,060 to 454,107,** which would reduce job competition in the informal sector and create a positive impact on the social security system.
- **Venezuelans' self-reliance would increase,** leading to reduced protection concerns and higher standards of living.
- **Venezuelans would boost Colombian firms' productivity** by filling labor shortages, complementing Colombian workers with their unique sets of skills and experiences, and developing business connections abroad.

Our analysis also finds the following:

- **Greater economic inclusion for Colombian returnees would lead to similar benefits, increasing their average income by 13 percent.** It is likely that the inclusion of other disadvantaged groups of Colombians, such as IDPs, also would create such benefits.
- **Venezuelan women face a double disadvantage due to their gender and nationality.** Addressing Venezuelan-specific barriers to economic inclusion would lead to a 67 percent increase in incomes for Venezuelan women. Addressing gender-based barriers would lead to an *additional* 74 percent increase in their incomes. Overall, addressing both gender- and Venezuelan-specific barriers would lead to a 191 percent increase in Venezuelan women's incomes. Given that Venezuelan women account for 52 percent of the total Venezuelan

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<sup>23</sup> See the Impacts of the Arrival and Economic Inclusion of Venezuelans section for details.

<sup>24</sup> See the Benefits from Greater Economic Inclusion section for details.

<sup>25</sup> Figures in this case study are in U.S. dollars.

working-age population, huge gains can be made by lowering barriers for Venezuelan women.

- **The potential gains from economic inclusion are greatest for highly educated Venezuelans.** Lowering key barriers for this group—especially the lack of work permits and difficulties verifying credentials—could have an outsized positive impact.
- **Facilitating labor market access for highly educated Venezuelans would yield large gains.** While the average level of education for Venezuelans entering the country has declined over time, large numbers of highly educated Venezuelans continued to enter the country up until the pandemic-related border closure in March 2020. Providing them with the right to work quickly will be key to ensuring their economic inclusion.

It is important to reiterate that this analysis was conducted using data from before the outbreak of COVID-19. Thus, it does not account for the major changes in labor market outcomes that have occurred in recent months. Given that Venezuelans were working in sectors more highly affected by the pandemic at higher rates than Colombians prior to the outbreak, it is likely that the income gap has grown even larger. As a result, the potential gains for Venezuelans and the economy as a whole are probably even larger than our estimates predict.

History shows that when policymakers make the right choices, economic inclusion for migrants and refugees is possible.<sup>26</sup> To achieve it in the Colombian context, the government and its partners should build on their existing plans and approaches by implementing the following recommendations. Although some of these steps will need to wait until the country and the economy fully reopen, many can be pursued already.

**The government of Colombia should do the following:**

1. **Maintain an ongoing *Permiso Especial de Permanencia* (PEP) process for Venezuelans that is not limited by entry date and involves a clear and simplified path toward regularization and guarantees of protection.** The government has introduced mechanisms to facilitate Venezuelans' regularization, including a special two-year residence permit (PEP) that provides the right to work. PEPs have been issued in several rounds during the past three years and have been renewed when nearing expiration. These measures represent important, laudable steps toward economic inclusion. But there are typically long gaps between rounds, leaving many Venezuelans without the formal right to work long after they arrive in Colombia. Furthermore, the many Venezuelans who did not enter the country through official channels have been ineligible for all but one round of PEP provision. Shortening or eliminating delays and expanding eligibility would lead to greater economic inclusion for—and contributions from—Venezuelans.
2. **Ensure the implementation of the Income Generation Strategy designed to advance Venezuelans' socioeconomic inclusion.** Colombian officials and development partners have done important work to identify many of the practical and legal barriers to inclusion and potential measures to lower or eliminate them. The government should commit at the highest level to continue rolling out this strategy and ensure that the relevant authorities have the resources needed to do so. They also should regularly assess their progress and

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<sup>26</sup> Michael Clemens, Cindy Huang, Jimmy Graham, and Kate Gough, "Migration Is What You Make It: Seven Policy Decisions That Turned Challenges into Opportunities," Center for Global Development, May 2018, <https://www.cgdev.org/publication/migration-what-you-make-it-seven-policy-decisions-turned-challenges-opportunities>.

revisit their plans to adapt the strategy as necessary.

**Donors should do the following:**

3. **Increase funding for the response to Venezuelan displacement in Colombia—especially for efforts that improve economic inclusion and involve host communities.** As Venezuelans' contributions to revenue grow in the medium term, they should more than offset the large fiscal costs that the Colombian government is currently bearing by hosting Venezuelans. Until then, however, those costs could undermine the government's commitment to a constructive response. To prevent such a reversal, donors should help ease the strain by providing more resources to the Colombian government, international organizations, and NGOs participating in the response. There consistently has been an acute shortfall in the funding required to meet the needs of displaced Venezuelans and host communities, as determined by the UN-coordinated regional Refugee and Migrant Response Plan (RMRP) for Venezuela.<sup>27</sup> Donors, therefore, should increase funding directly to the government and fully fund the RMRP for 2020. A revised RMRP issued in May 2020 reflects changes in the level and type of need among beneficiaries as a result of the pandemic.<sup>28</sup> In Colombia, even as financing requirements for health programs and food and nutrition have increased, integration remains the third-highest priority. Adequate resources therefore should be directed toward improving economic inclusion, and all efforts should continue to include Colombian host communities.
4. **Pursue a compact-like approach to better support the Colombian government and encourage the expansion of regularization and the right to work.** A compact approach—in which the international community increases funding or other non-aid incentives in exchange for policy progress in the host country—could address the dual problems of inadequate resources and limited access to regularization.

**The government, international organizations, and NGOs should do the following:**

5. **Prioritize support for women's economic inclusion.** Barriers to economic inclusion for Venezuelan women are especially large and require a differentiated response. Moving forward, actors should place greater focus on lowering women-specific barriers, such as a lack of access to childcare.
6. **Facilitate the process of credential and skill verification.** The difficulty of verifying foreign credentials and degrees in Colombia is a major barrier to economic inclusion for highly educated Venezuelans in the country. To address this problem, the government should focus on building institutional capacity to process applications—a solution that would benefit migrants of other nationalities as well. Financial and technical support from donors is critical to making this possible.
7. **Diversify approaches to combating xenophobia.** Discrimination affects Venezuelans' ability to find and keep jobs, while negative public perceptions could undermine the government's commitment to integrating Venezuelans. Antixenophobia programs and campaigns can help counter these effects and are already under way. However, antirefugee and antimigrant sentiment is known to rise in moments of national crisis—especially

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<sup>27</sup> R4V Coordination Platform.

<sup>28</sup> R4V Coordination Platform for Refugees and Migrants from Venezuela, "RMRP 2020—Review," May 11, 2020, <https://r4v.info/en/documents/details/76210>.

economic crisis—as is occurring in the context of COVID-19. The government and its partners should thus intensify their efforts; diversify their approaches; and incorporate insights from contact theory, the idea that prejudice between groups can be reduced by interpersonal contact.

8. **Provide working age, displaced individuals in Colombia and their families with the means to move to areas in the country that have more labor market opportunities, if they choose to.** Our analysis predicts that because many Venezuelans and Colombian returnees are located in areas of the country with relatively few economic opportunities, they would have higher incomes if they were living in different areas. However, the cost of moving, difficulty securing and affording housing, and limited access to information about job opportunities present obstacles. The government and UN thus could provide means for Venezuelans and Colombian returnees to move to areas with greater labor market opportunities if they are interested in doing so. This not only would improve economic inclusion but could reduce the risk of negative labor market effects for host communities and ease the strain on service systems in areas that currently have large displaced populations. In addition to facilitating movement away from areas with fewer economic opportunities, policymakers should prioritize measures to create jobs in these areas, to the benefit of Colombians and Venezuelans alike.
9. **Rigorously evaluate livelihood programs.** Livelihood programs, which are designed to help individuals achieve decent work and increase their income, can have remarkable impacts. However, they are highly inconsistent. To ensure they are having their intended impact, large organizations managing these programs—like the International Labour Organization (ILO), International Organization for Migration (IOM), and major NGOs—as well as the government of Colombia should regularly conduct experimental evaluations to collect evidence of what works and what does not in the Colombian context.
10. **Raise the profile of companies that engage forced migrants.** Many businesses in Colombia hire Venezuelans or supply from Venezuelan-owned or -employing companies. They are driven by a desire to create social benefit and/or because they derive an economic benefit from doing so. International organizations and NGOs should create incentives for more businesses to follow suit by raising the profiles of companies that engage forcibly displaced people and are interested in promoting this engagement. Doing so could increase demand among socially conscious consumers who want to support companies that are creating social benefits. As a result, it could stimulate the companies' sales and exports, boost their profits, and in turn allow them to expand and hire more Venezuelans as well as Colombians.

**The private sector should do the following:**

11. **Engage Venezuelans and host communities through core business.** Businesses can improve economic inclusion by directly hiring Venezuelans, investing in businesses owned by or employing Venezuelans, and/or supplying from businesses owned by or employing Venezuelans. They also can improve outcomes for disadvantaged host community members by including them in these efforts.
12. **Advocate for continued policy progress.** Businesses should take up a key role as advocates with policymakers. Because they drive the economy, they can have a powerful voice in influencing government policy. Businesses should advocate for changes to make it easier to hire Venezuelans. The government should seek partnerships with business leaders and professional organizations to receive their input on how policies will affect the private

sector's interactions with Venezuelans.

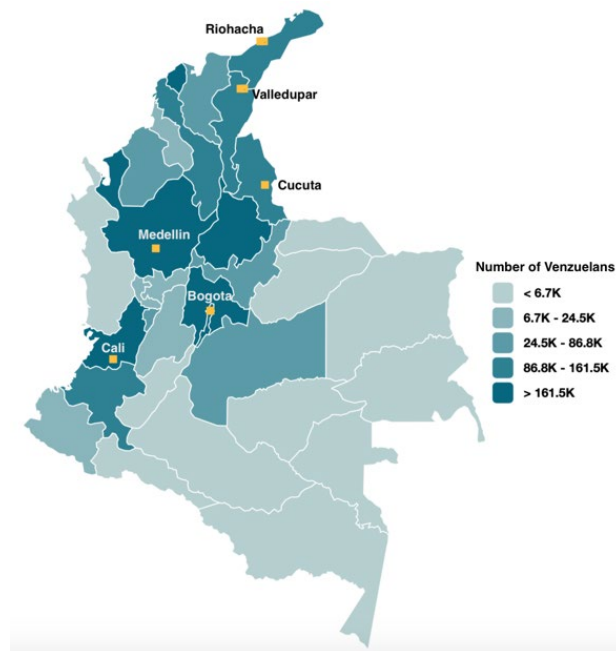
Stakeholders should also work together to conduct research to further our understanding of the best ways to achieve—and create widely shared benefits from—economic inclusion. As we highlight in this paper, there are still many unknowns in this regard. Shedding light on these unknowns could accelerate impact.

The influx of Venezuelans into Colombia has presented many challenges but also an opportunity to boost Colombia's economic development. The constructive response of the government thus far and efforts of international organizations and civil society have already created positive, widely shared benefits. If policy choices are made that continue to follow a productive path, especially during the public health crisis, even more benefits can be created for Venezuelans and Colombians alike.

## INTRODUCTION

Political unrest, severe economic crisis, widespread violence, and human rights abuses in Venezuela have forced millions of people to flee the country. As of October 2020, there were nearly 5.5 million Venezuelan refugees and migrants around the world.<sup>29</sup> The most recent official figures estimate that almost 1.8 million of them were residing in Colombia as of May 2020—far more than in any other country.<sup>30</sup> Prior to the outbreak of COVID-19, according to the UN Refugee Agency (UNHCR), the number was still rising by about 3,000 Venezuelans per day.<sup>31</sup> Since the outbreak and the closure of Colombia's borders, arrivals have slowed to near zero.<sup>32</sup> Reports indicate that irregular crossings continue, but precise estimates are not available. As Figure 1 and Figure 2 show, Venezuelans are spread throughout the country, with the largest numbers of Venezuelans concentrated around major cities, and the largest numbers per capita in the border regions.

Figure 1. Approximate Number of Venezuelans by Administrative Department



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendix A for more details. Piktochart was used to create the map.

Note: These are rough approximations; the monthly data are not representative at the department level. K = 1,000.

<sup>29</sup> According to the United Nations Coordination Platform for Refugees and Migrants from Venezuela (R4V), "This figure represents the sum of Venezuelan migrants, refugees and asylum-seekers reported by host governments. It does not necessarily imply individual identification, nor registration of each individual, and may include a degree of estimation, as per each government's statistical data processing methodology. As numerous government sources do not account for Venezuelans without a regular status, the total number of Venezuelans is likely to be higher." United Nations, "Plataforma de Coordinación para Refugiados y Migrantes de Venezuela" [R4V Coordination Platform for Refugees and Migrants from Venezuela], accessed August 5, 2020, <https://r4v.info/en/situations/platform>.

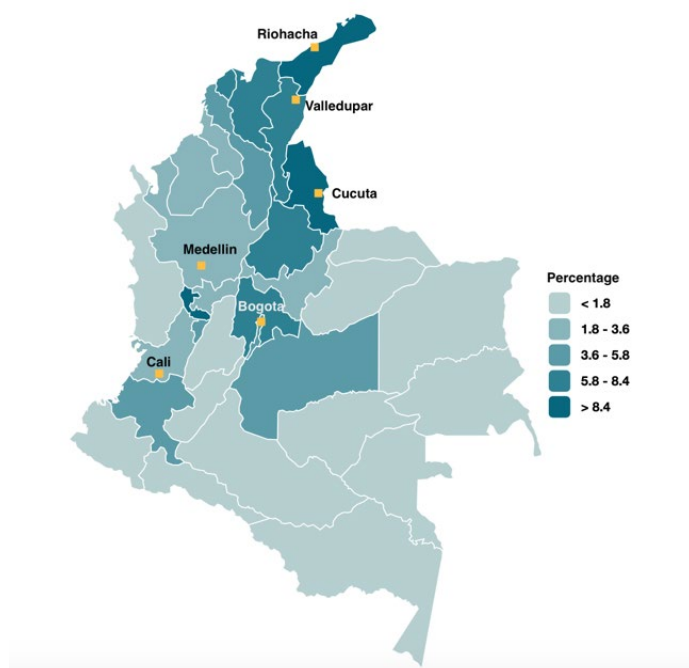
<sup>30</sup> R4V Coordination Platform.

<sup>31</sup> Michael Stott and Gideon Long, "Venezuela: Refugee Crisis Tests Colombia's Stability," *Financial Times*, February 19, 2020, <https://www.ft.com/content/bfede7a4-4f44-11ea-95a0-43d18ec715f5>.

<sup>32</sup> Colombia Sin Fronteras, "6 puntos del Gobierno para el COVID y migración," <https://colombiasinfronteras.com/6-puntos-del-gobierno-para-el-covid-y-migracion/>.



Figure 2. Approximate Number of Venezuelans as a Percentage of the Total Number of Residents in Each Department



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendix A for more details. Piktochart was used to create the map.

Note: These are rough approximations; the monthly data are not representative at the department level.

Even before the pandemic, Colombia faced a range of challenges in parallel with the large arrival of Venezuelans. For one, many Colombians have been forcibly displaced from their homes. Five decades of civil war drove many Colombians out of the country, including to Venezuela. In recent years, almost 800,000 Colombians have returned, and many are struggling to reintegrate.<sup>33</sup> Despite a 2016 peace agreement that formally ended the civil war, armed groups continue to operate in the country—and nearly 8 million Colombians remain internally displaced.<sup>34</sup> Recently, there has been an increase in assassinations of social leaders opposing these armed groups.<sup>35</sup> In addition, Colombia is facing numerous economic challenges, including rising unemployment; a large informal sector; and collapsing trade with Venezuela, formerly a major trading partner.<sup>36</sup> Compounding this situation, Colombia, like all countries around the world, is dealing with the massive economic and health crisis

<sup>33</sup> As of October 2019. Gobierno de Colombia, "Estrategia de generación de ingresos."

<sup>34</sup> Melanie Teff and Daphne Panayotatos, "Crises Colliding: The Mass Influx of Venezuelans into the Dangerous Fragility of Post-peace Agreement in Colombia," Refugees International, January 2019, <https://static1.squarespace.com/static/506c8eale4b01d9450dd53f5/t/5c5da213652deab29333e4eb/1549640213352/Colombia+Rep+ort+-+January+2019+-+2.0.pdf>.

<sup>35</sup> Danelly Estupinan, "Colombia's Social Leaders Are Still Being Killed during the Quarantine," *Amnesty International*, June 2020, <https://www.amnesty.org/en/latest/news/2020/06/lideres-sociales-nos-siguen-matando-durante-cuarentena/>.

<sup>36</sup> DANE, "Principales indicadores del mercado laboral: Octubre de 2019," November 30, 2019, [https://www.dane.gov.co/files/investigaciones/boletines/ech/ech/bol\\_empleo\\_oct\\_19.pdf](https://www.dane.gov.co/files/investigaciones/boletines/ech/ech/bol_empleo_oct_19.pdf); DANE, "Medición de empleo informal y seguridad social: Trimestre móvil septiembre–noviembre 2019," January 14, 2020, [https://www.dane.gov.co/files/investigaciones/boletines/ech/ech\\_informalidad/bol\\_ech\\_informalidad\\_sep19\\_nov19.pdf](https://www.dane.gov.co/files/investigaciones/boletines/ech/ech_informalidad/bol_ech_informalidad_sep19_nov19.pdf); Mauricio Reina, Carlos Antonio Mesa, and Tomás Ramírez Tobón, "Elementos para una política pública frente a la crisis de Venezuela," Fedesarrollo, November 2018, [https://www.repository.fedesarrollo.org.co/bitstream/handle/11445/3716/CDF\\_No\\_69\\_Noviembre\\_2018.pdf?sequence=1&isAllowed=y](https://www.repository.fedesarrollo.org.co/bitstream/handle/11445/3716/CDF_No_69_Noviembre_2018.pdf?sequence=1&isAllowed=y).

created by COVID-19. In June 2020, Colombia had a higher daily case rate for the disease—more than 100 per 1 million inhabitants—than more than 75 percent of countries in the world.<sup>37</sup> Moreover, the International Monetary Fund (IMF) predicted in October 2020 that the country's GDP will shrink by 8.2 percent in 2020.<sup>38</sup>

Notwithstanding this confluence of challenges, the Colombian government has maintained an open and constructive response to the arrival of Venezuelans. Although it closed the country's borders and suspended migration services as a result of the COVID-19 outbreak, it has indicated that these are temporary measures. Typically—and unlike several countries in the region that have imposed visa restrictions on Venezuelans—Colombia allows Venezuelans to enter the country with just their passports, including ones up to two years past their expiration date.<sup>39</sup> Such accommodations are essential in light of the extraordinary circumstances Venezuelans are in—the institutional and economic collapse back home makes it nearly impossible for most Venezuelans to acquire or renew passports or pay visa fees. Moreover, as of August 2020, more than 760,000 of the almost 1.8 million Venezuelans in Colombia had been able to regularize their status there.<sup>40</sup> This grants Venezuelans legal authorization to reside in the country; facilitates greater access to education, healthcare, and other rights and services; and grants, for most, the right to work. The Colombian government has taken a proactive approach to helping Venezuelans—as well as Colombian returnees and members of the host population—to integrate into the labor market. It has also allowed for large amounts of pendular migration—temporary entry for Venezuelans who come to the country to buy goods, go to school, visit relatives, or conduct business then return to Venezuela. As of March 2019, more than three million Venezuelans held permits that facilitated such movement, allowing stays of up to seven consecutive days.<sup>41</sup> A wide range of stakeholders, including civil society organizations, international organizations, donors, and the private sector, have been instrumental in supporting and building on these efforts.

However, despite Colombia's constructive response, there still is much progress to be made. Although many Venezuelans in Colombia are working, most are in the informal sector and face high rates of poverty and a range of protection concerns. More than one million Venezuelans lack regular status, preventing them from legally working or accessing services that could help address those problems.<sup>42</sup> And a number of other factors—from difficulty verifying their credentials to limited financial access—have created additional barriers to labor market access. As a result, Venezuelans have much poorer labor market outcomes (i.e., wages and employment rates) than do Colombians. This indicates a relatively low level of economic inclusion for Venezuelans (see Box 1). Such weak economic inclusion is also characteristic of certain host community populations, such as Colombian returnees and internally displaced people (IDPs).<sup>43</sup>

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<sup>37</sup> Cárdenas and Martínez, "COVID-19 in Colombia."

<sup>38</sup> International Monetary Fund, "Colombia," <https://www.imf.org/en/Countries/COL>

<sup>39</sup> Jimmy Graham and Patrick Saez, "Beneficial Policies towards the Venezuela Crisis Depend on Development Finance," Center for Global Development, November 26, 2019, <https://www.cgdev.org/blog/beneficial-policies-towards-venezuela-crisis-depend-development-finance>.

<sup>40</sup> R4V Coordination Platform.

<sup>41</sup> Migración Colombia, "Total de Venezolanos en Colombia corte a 31 de marzo de 2019," May 2019, <https://www.migracioncolombia.gov.co/infografias/total-de-venezolanos-en-colombia-corte-a-31-de-marzo-de-2019>.

<sup>42</sup> Gobierno de Colombia, "Estrategia de generación de ingresos."

<sup>43</sup> IDMC, "Colombia: Tackling Protracted Displacement Post-conflict," 2017, <https://www.internal-displacement.org/global-report/grid2017/pdfs/2017-GRID-colombia-spotlight.pdf>. See information about economic outcomes for returnees in the Shortcomings in Economic Inclusion section.

## BOX 1. WHAT IS ECONOMIC INCLUSION?

We define economic inclusion as the achievement of labor income commensurate with one's skills and decent work. To create the conditions necessary for economic inclusion, a wide range of barriers that refugees and forced migrants typically face—including legal, administrative, practical, and social barriers—must be lowered. These include, among others, the inability to obtain work permits, restricted freedom of movement, difficulty accessing financial services, a lack of job opportunities, and poor access to childcare. Some of these barriers apply to host populations as well, but the challenges are typically most acute for refugees and forced migrants.

Contrary to the perception that greater economic inclusion will keep refugees and forced migrants in the host country, there have been a number of cases throughout history where refugees were included in the economy and allowed to integrate and still chose to return home in large numbers when it was safe to do so.<sup>44</sup> In fact, there is some evidence that greater economic inclusion can allow refugees and forced migrants to accumulate the assets needed to undertake return journeys and successfully reestablish themselves in their home countries, thus improving the chances of sustainable return.<sup>45</sup>

As COVID-19 wreaks havoc on the Colombian economy, Venezuelans have been among the hardest hit. The informal jobs that most hold are typically not ones that can be done from home, leaving many Venezuelans unemployed during the nationwide quarantine. In addition, the low wages offered for these jobs are usually just enough for earners to pay for basic goods and services, if even that. With no source of new income and no savings, many Venezuelans are unable to withstand economic shocks like those brought on by the pandemic. The precariousness of their situation underscores the importance of improving economic inclusion.

In fact, greater economic inclusion for displaced Venezuelans would create a wide range of social, economic, and fiscal gains that would benefit Venezuelans and Colombians alike. Some of these benefits are already visible. For example, increased consumption and investment from Venezuelans has stimulated economic activity in Colombia.<sup>46</sup> Even greater economic inclusion would imply higher incomes for Venezuelans, which in turn would increase their agency and their financial stability, enabling them to meet basic needs like paying rent, buying essential goods and services, and accessing medical care. Greater economic inclusion also would allow Venezuelans to shift from the informal to the formal sector, create new job opportunities as business owners, contribute more taxes and payments to the social security system, and support the private sector as talented and motivated

<sup>44</sup> Niels Harild, Asger Christensen, and Roger Zetter, "Sustainable Refugee Return: Triggers, Constraints, and Lessons on Addressing the Development Challenges of Forced Displacement," World Bank, 2015, <http://documents.worldbank.org/curated/en/542611468188337350/pdf/99618-WP-PUBLIC-Box393206B-Sustainable-Refugee-Return-15Sept-WEB-PUBLIC.pdf>.

<sup>45</sup> Richard Black, Khaled Koser, and Karen Munk, "Understanding Voluntary Return," Sussex Centre for Migration Research, 2004, <https://webarchive.nationalarchives.gov.uk/20110220155644/http://rds.homeoffice.gov.uk/rds/pdfs04/rdsolr5004.pdf>; Chris Dolan, "Repatriation from South Africa to Mozambique—Undermining Durable Solutions?" in *The End of the Refugee Cycle? Refugee Repatriation and Reconstruction*, edited by R. Black and K. Koser (Bergahan Books, 1999), <https://www.jstor.org/stable/j.ctt9qcp3z>.

<sup>46</sup> See the Impacts of the Arrival and Economic Inclusion of Venezuelans section for more details.

workers.<sup>47</sup> Indeed, several displaced Venezuelans said in interviews with the research team that, above all, they wanted jobs that would allow them to be independent, contributing members of their new communities. Thus, although integrating Venezuelans may create negative labor market impacts for some Colombians in the short run, the net impacts for Colombians would be positive, with low-earning Colombians' gaining the most.

Certainly, the arrival of so many Venezuelans in Colombia has created challenges. Even before the outbreak of COVID-19, the need both to address Venezuelans' urgent humanitarian needs and to prepare for the likelihood of their protracted stay put pressure on the public sector. As neighboring countries tightened restrictions on Venezuelans' entry, more Venezuelans were forced to remain in Colombia, further straining the government's capacity to respond. At the same time, social tensions between Colombians and Venezuelans were on the rise.<sup>48</sup> Now, the humanitarian and economic toll of the pandemic has exacerbated these challenges. Nevertheless, by making the right policy and programmatic choices, the government and its partners can mitigate harm and seize the opportunity to engage Venezuelans to help boost the country's recovery and development.

## VENEZUELAN DISPLACEMENT TO COLOMBIA: RESPONSES AND OUTCOMES TO DATE

### Positive Steps toward Economic Inclusion

In July 2017, the Colombian authorities took a critical step toward facilitating Venezuelans' economic inclusion by creating a temporary stay permit, the *Permiso Especial de Permanencia* (PEP) for Venezuelans. It was available to those who had entered the country through formal channels before July 28, 2017. The PEP mitigates the vulnerabilities of displaced Venezuelans by authorizing them to stay in Colombia for up to two years and promoting their economic and social inclusion. Importantly, it grants them the right to work and to access education, financial services, and essential government services. Since 2017, the government has initiated several more rounds of the PEP and renewed the two-year validity of those who received it in the first three rounds. As of July 2020, a total of 689,766 PEPs had been granted.<sup>49</sup> Close to 100,000 Venezuelans have other forms of legal residence, some of which also grant them the right to work. In total, as of July 2, 2020, about 760,000 Venezuelans had work and/or residence permits.<sup>50</sup> Table 1 explains the pathways to formal work and regularization in greater detail.

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<sup>47</sup> See the Impacts of the Arrival and Economic Inclusion of Venezuelans section and Gaps in Realizing Venezuelans' Economic Inclusion section for details.

<sup>48</sup> Proyecto Migración Venezuela, "Percepción de la integración de los migrantes venezolanos en Colombia," September 2019, [https://s3.amazonaws.com/semanaruralvzla/documentos/1568067274\\_boletin7pdf](https://s3.amazonaws.com/semanaruralvzla/documentos/1568067274_boletin7pdf); Proyecto Migración Venezuela, "Percepción de la integración de los migrantes en Colombia en tiempos de coronavirus, May 2020, <https://migravenezuela.com/web/articulo/percepcion-de-los-colombianos-sobre-los-migrantes-en-tiempos-de-coronavirus/1924>.

<sup>49</sup> Migración Colombia, "Permiso Especial de Permanencia: Fases," accessed August 24, 2020, <https://public.tableau.com/profile/migraci.n.colombia#!/vizhome/PermisoEspecialdePermanencia-PEP/Inicio>.

<sup>50</sup> R4V Coordination Platform.

## BOX 2. ARE VENEZUELANS IN COLOMBIA REFUGEES?

According to the 1984 Cartagena Declaration on Refugees, which Colombia has signed and incorporated into its national legislation, Venezuelans should be eligible for international protection as refugees. The Cartagena Declaration states that refugees are “persons who have fled their country because their lives, safety or freedom have been threatened by generalized violence, foreign aggression, internal conflicts, massive violation of human rights or other circumstances which have seriously disturbed public order.”<sup>51</sup> Most if not all Venezuelans meet this definition. However, like most other countries in the region, Colombia has not applied this definition as the basis for making refugee status determinations for Venezuelans and has instead focused on registering Venezuelans through other formal channels. Thus, very few Venezuelans in Colombia have formally obtained refugee status—just 153 as of June 2020—and most are officially recognized (and typically referred to) as migrants. This classification denies them access to a superior form of international protection and rights under national and international law.

In this paper we refer to Venezuelans as “displaced” or as “forced migrants,” a term that recognizes the fact that they fled from their country and are in need of protection while acknowledging their current legal status as recognized by Colombian authorities. Separately, Refugees International reporting has called on states, including Colombia, to apply the Cartagena Declaration and recognize Venezuelans as refugees, in line with guidance from UNHCR and the recommendation of the Organization of American States.<sup>52</sup>

The term “displaced” also encompasses Colombian returnees and IDPs. We therefore distinguish between Venezuelan and Colombian displaced individuals where necessary.

However, the eligibility requirements for the PEP mean that it is not available to the many more Venezuelans who, lacking official documents, resort to entering Colombia through informal border crossings.<sup>53</sup> Nor does it account for the Venezuelans who have continued—and will continue—to enter Colombia since August 31, 2020. To extend protections for those unable to obtain a PEP, the government took an important step in January 2020 by creating a new type of work permit, the *Permiso Especial de Permanencia para el Fomento de la Formalización* (PEPFF). The PEPFF allows Venezuelans who are in Colombia irregularly to regularize their status if they are offered a formal work contract.<sup>54</sup> Unfortunately, the government’s decision to suspend many migration services during the national quarantine delayed access to the PEPFF for several months. Processing was paused in March 2020 after just a few weeks and only resumed at the end of June 2020.<sup>55</sup>

<sup>51</sup> “Cartagena Declaration on Refugees, Colloquium on the International Protection of Refugees in Central America, Mexico and Panama,” [https://www.oas.org/dil/1984\\_cartagena\\_declaration\\_on\\_refugees.pdf](https://www.oas.org/dil/1984_cartagena_declaration_on_refugees.pdf).

<sup>52</sup> Teff and Panayotatos, “Crises Colliding”; UNHCR, “Majority Fleeing Venezuela in Need of Refugee Protection—UNHCR,” <https://www.unhcr.org/en-us/news/briefing/2019/5/5ce3bb734/majority-fleeing-venezuela-need-refugee-protection-unhcr.html>; Organization of American States, “OAS Working Group on Venezuelan Migrants Urges Granting Refugee Status and Creation of Regional Identity Card,” June 28, 2019, [https://www.oas.org/en/media\\_center/press\\_release.asp?sCodigo=E-048/19](https://www.oas.org/en/media_center/press_release.asp?sCodigo=E-048/19).

<sup>53</sup> Teff and Panayotatos, “Crises Colliding.”

<sup>54</sup> Ministry of Labor, “Permiso Especial de Permanencia para el Fomento de la Formalización—PEPFF,” Government of Colombia, accessed February 4, 2020, <http://www.mintrabajo.gov.co/empleo-y-pensiones/movilidad-y-formacion/grupo-de-gestion-de-la-politica-de-migracion-laboral/pepff>.

<sup>55</sup> Ministry of Labor, “Permiso Especial de Permanencia.”

**Table 1. Venezuelans' Pathways to Formal Work and Legal Status**

PEP (special residency permit)	<p>The PEP was introduced by government decree in 2017 to facilitate regularization for the many Venezuelans who had arrived. It grants access to basic health services, education, and work. Issued by Colombia's migration authority (Migración Colombia) at no cost, it is valid for 90 days at a time and is automatically renewable for up to two years.</p> <p>The PEP is the most used pathway for regularization and, as such, to access formal work: as of July 2020, a total of 689,766 PEPs had been granted, accounting for about 90 percent of the permits granting regular status.<sup>56</sup> From 2017 to 2020, PEPs have been issued in six rounds and renewed for those whose PEPs were nearing expiration. As of the latest round, Venezuelans who entered the country after August 31, 2020, cannot obtain PEPs.<sup>57</sup></p>
PEPFF (special residency permit for promoting formalization)	<p>The PEPFF opens the possibility for Venezuelans who are in Colombia irregularly to obtain formal work legally. Venezuelan citizens who are at least 18 years old and acquire formal job contracts are eligible to receive PEPFFs and regularize their statuses, valid for as long as the contract stands. The contract must have a minimum duration of two months and maximum of two years. After two years, PEPFFs can be renewed, for a total of four years. Employers are responsible for applying for PEPFFs on behalf of their workers through the Ministry of Labor but do not incur any cost.</p>
Permiso Especial Complementario de Permanencia (PECP; complementary temporary residence permit)	<p>The PECP was introduced in July 2019. It can be obtained by Venezuelans who sought refugee status between August 19, 2015, and December 31, 2018, and had their application rejected. It is valid for 90 days, renewable for up to two years, and grants the right to work. Applications were accepted between July and October 2019.<sup>58</sup> Relatively few Venezuelans hold the PECP.</p>
Visas	<p>Some (but not all) visas allow Venezuelans to work. Recognized refugees, for example, are given work visas. Colombian family ties can allow Venezuelans to obtain work visas.<sup>59</sup></p>
Other permits that do not allow the right to work	<p>Other permits that do not allow the right to work include the <i>Salvoconducto</i>, given to asylum seekers; the <i>Permiso de Ingreso y Permanencia</i> (PIP), a 90-day tourist visa that has been widely obtained by Venezuelans; the <i>Permiso Temporal de Permanencia</i>, essentially an extension of the PIP; the <i>Permiso de Ingreso y Permanencia de Tránsito Temporal</i>, a transit visa for crossing to other countries; and the <i>Tarjeta de Movilidad Fronteriza</i>, which allows for individuals living in Venezuelan border regions to move freely across the border.<sup>60</sup> Other residence permits for Venezuelans in school are being</p>

<sup>56</sup> Migracion Colombia, "Permiso Especial de Permanencia."

<sup>57</sup> Migracion Colombia Lanza Nuevo Permiso Especial de Permanencia para Venezolanos," October 9, 2020, <https://www.migracioncolombia.gov.co/noticias/migracion-colombia-lanza-nuevo-permiso-especial-de-permanencia-para-venezolanos>.

<sup>58</sup> Cindy A. Morales, "Así funciona el nuevo permiso para solicitantes de refugio venezolanos," *El Tiempo*, July 12, 2019, <https://www.eltiempo.com/mundo/venezuela/asi-es-el-permiso-especial-complementario-de-permanencia-para-refugiados-venezolanos-en-colombia-387660>.

<sup>59</sup> Tent Partnership for Refugees, HIAS, UNHCR, Colombian Ministry of Work, "Guía para la contratación laboral refugiados y migrantes venezolanos en la república de Colombia," July 2019, [https://www.tent.org/wp-content/uploads/2019/07/Tent\\_Colombia-Hiring-Guide\\_WEB-SinglePages\\_V3.pdf](https://www.tent.org/wp-content/uploads/2019/07/Tent_Colombia-Hiring-Guide_WEB-SinglePages_V3.pdf).

<sup>60</sup> Tent Partnership for Refugees et al., "Guía."



considered.<sup>61</sup>

Beyond providing Venezuelans the right to work, the Colombian government has taken many actions to encourage economic inclusion for Venezuelans as well as for its own citizens. These include allowing Venezuelans to access public employment services like job matching and vocational training, providing support to small businesses through chambers of commerce, working with financial institutions to expand access to banking services, and developing special economic zones to attract investment to border areas. The Colombian government also developed a strategy to help Venezuelans, Colombian returnees, and host communities to access work opportunities and secure livelihoods (the “Income Generation Strategy”). It identified barriers to economic inclusion and issued more than 80 recommended actions and 10 priority areas for immediate attention. These are enumerated in Box 3.<sup>62</sup>

### BOX 3. THE GOVERNMENT OF COLOMBIA’S PRIORITY AREAS FOR ACTION FROM THE INCOME GENERATION STRATEGY FOR VENEZUELANS AND HOST COMMUNITIES

1. Expanding regularization
2. Assessing Venezuelans’ skill profiles
3. Validating foreign credentials
4. Certifying foreign workers’ skills
5. Integrating Venezuelans into the public employment system
6. Combating forced labor and labor market discrimination
7. Supporting entrepreneurship and small business development
8. Improving access to financial services
9. Creating equal access to economic programs for women
10. Mobilizing resources for local economic development

The international community, civil society, and the private sector have also taken many actions to accelerate economic inclusion. Indeed, supporting socioeconomic and cultural integration is one of the priority areas in the Refugee and Migrant Response Plan (RMRP) for Venezuelans. The RMRP is jointly led by UNHCR and the International Organization for Migration (IOM) through the Response for Venezuelans (R4V) regional platform. In Colombia, the corresponding national platform—the Interagency Group for Mixed Migration Flows (GIFMM)—coordinates the response. The RMRP brings

<sup>61</sup> Estoy en la Frontera, “Lo que Colombia prepara para regularizar a los migrantes venezolanos en el 2020,” 2019, <https://estoyenlafrontera.com/regularizacion-migratoria/lo-que-colombia-prepara-para-regularizar-los-migrantes-venezolanos-en-el>.

<sup>62</sup> Gobierno de Colombia, “Estrategia de generación de ingresos.”

together analysis from a wide range of participating stakeholders to inform planning and funding appeals to address the needs of refugees and migrants from Venezuela.<sup>63</sup> More than 100 entities contribute to and receive support from the RMRP, including host country governments, various UN agencies, NGOs and community-based organizations, donors, the Red Cross Movement, and displaced persons and host communities themselves.<sup>64</sup>

There have been efforts beyond this comprehensive platform. For example, the World Bank's Global Concessional Financing Facility mobilized \$31.5 million in grants to the government "to facilitate access to jobs and basic social services for Venezuelan migrants and refugees, as well as the communities that are hosting them."<sup>65</sup> Colombian and international companies like Sunshine Bouquet, WeWork, Unilever, and Sierra Nevada are hiring or distributing products through Venezuelans. NGOs not part of the R4V also help Venezuelans access livelihood opportunities. Meanwhile, academic researchers continue to explore how to improve economic inclusion for Venezuelans.<sup>66</sup>

## Impacts of the Arrival and Economic Inclusion of Venezuelans

From 2015 to 2019, Colombia experienced its fastest economic growth in years—significantly faster than that of neighboring countries. Analysts suggested that this acceleration is in part caused by the arrival of the sizeable Venezuelan population.<sup>67</sup> The IMF, for example, estimated that Venezuelans' contributions increased growth by 0.25 percent in 2019.<sup>68</sup>

Venezuelans' contributions to Colombia's economic growth materialize in several ways. For one, Venezuelans' participation in the Colombian economy has led to an increase in consumption and investment. It has also helped resolve labor shortages in certain industries—particularly agribusiness, for which Venezuelans often fill positions that Colombians do not want.<sup>69</sup> The experiences of migrants

<sup>63</sup> For 2019, total RMRP funding requirements amounted to nearly \$738 million but ultimately were only 52 percent funded. The original appeal for 2020 was nearly double that amount, at \$1.35 billion. In May 2020, the R4V issued a revised RMRP 2020 to reflect the increased level of need resulting from the COVID-19 pandemic. Total funding requirements for the region increased to \$8.31 million but have been just 21 percent funded as of August 2020. Funding requirements for Colombia, specifically, remain the largest in the region, at about \$782.3 million for the year.

<sup>64</sup> United Nations, "RMRP 2020: For Refugees and Migrants from Venezuela," <https://r4v.info/en/documents/download/72254>.

<sup>65</sup> World Bank, "US\$31.5 Million to Help Improve Services for Migrants from Venezuela and Host Communities in Colombia," April 12, 2019, <https://www.worldbank.org/en/news/press-release/2019/04/12/us315-million-to-help-improve-services-for-migrants-from-venezuela-and-host-communities-in-colombia>.

<sup>66</sup> For example, Francesca Ramos Pismataro and Hubert Gehring, "Retos y oportunidades de la movilidad venezolana en la construcción de una política migratoria colombiana," Universidad del Rosario and Konrad Adenauer Stiftung, September 2018, <https://www.kas.de/documents/287914/287963/Retos+y+oportunidades+de+la+movilidad+humana+venezolana+en+la+construcción+de+una+pol%C3%ADtica+migratoria+colombiana.pdf/bcee4a33-9677-4405-bc16-b10dc4565937>; FUPAD, "Estudio sobre las posibilidades de vinculación laboral de población venezolana migrante en Bogotá, Barranquilla y Cartagena," June 26, 2019, <https://www.fupad.org/estudio-sobre-las-posibilidades-de-vinculacion-laboral-de-poblacion-venezolana-migrante-en-bogota-barranquilla-y-cartagena/>; Dany Bahar, Meagan Dooley, and Cindy Huang, "Integrating Venezuelans into the Colombian Labor Market: Mitigating Costs and Maximizing Benefits," Brookings, December 2018, [https://www.brookings.edu/wp-content/uploads/2018/12/Venezuelan-Migrants\\_English.pdf](https://www.brookings.edu/wp-content/uploads/2018/12/Venezuelan-Migrants_English.pdf); Reina et al., "Elementos para una política pública frente a la crisis de Venezuela"; World Bank, "Migración desde Venezuela a Colombia," 2018, <https://openknowledge.worldbank.org/bitstream/handle/10986/30651/131472SP.pdf?sequence=3&isAllowed=y>; Alexander Betts, "Venezuelan Survival Migration as a Development Opportunity: Mission Report," Oxford, March 2019, <https://reliefweb.int/sites/reliefweb.int/files/resources/research-in-brief-12-venezuelan-survival-migration.pdf>.

<sup>67</sup> Andrea Jaramillo and Oscar Medina, "Venezuela Diaspora Boosts Colombian Growth to Fastest Since 2015," Bloomberg, November 14, 2019, <https://www.bloomberg.com/news/articles/2019-11-14/colombia-defies-global-slowdown-with-fastest-growth-since-2015>.

<sup>68</sup> IMF, "Colombia: Staff Concluding Statement of the 2020 Article IV Mission," February 21, 2020, <https://www.imf.org/en/News/Articles/2020/02/21/mcs-022120-colombia-staff-concluding-statement-of-the-2020-article-iv-mission>.

<sup>69</sup> Sara Prada, "Migración venezolana: una oportunidad para la economía," Proyecto Migración Venezolana, February 22, 2019, <https://migravenezuela.com/web/articulo/impacto-de-la-migracion-venezolana-para-la-economia-colombiana/947>.

and refugees around the world show that they can support a host country's growth by bringing new skills to the labor force, innovating, complementing other workers by specializing in different tasks, spending money at local businesses, and investing in new businesses.<sup>70</sup>

Efforts to improve Venezuelans' economic inclusion certainly help bring about the positive effects that have been observed. Several studies provide evidence that when people can access regular status and work rights, they are more productive, consume substantially more, and are more likely to invest in their own human capital (i.e., skill development).<sup>71</sup> The greater stability and security that regularization offers may also make them more likely to invest in businesses. Other approaches to economic inclusion help realize and multiply potential benefits. Any activity or policy that helps people succeed in the labor market—such as facilitating credential verification, supporting entrepreneurs, and investing in livelihood programs—helps workers earn more and spend more in the economy.

Certainly, the arrival of so many Venezuelans in a relatively short time has also created significant challenges and costs for the Colombian government. Even before COVID-19 took its toll, the World Bank reported on how the inflow had strained Colombia's already overburdened health, education, social protection, and water and sanitation systems.<sup>72</sup> The Colombian government increased public spending to respond to these and other challenges but still lacks adequate resources. Meanwhile, international support to fully address the growing needs of Venezuelans and Colombia's own citizens remains limited. Although tax revenues have increased as a result of Venezuelans' working and spending in the economy, the IMF estimated that the net fiscal effect of the Venezuelan inflow (i.e., the effect on revenues minus the effect on spending) for 2019 was about -0.5 percent of GDP.<sup>73</sup>

Furthermore, as the growing number of Venezuelans settling in Colombia raises the demand for goods and services, prices for industries with inelastic short-run supply (i.e., industries where changes in demand lead to relatively large changes in prices in the short run) increase in turn. This has happened before in Colombia. A 2018 study, for example, found that IDP movements to Colombian cities caused low-income housing prices to rise.<sup>74</sup> Given that many Venezuelans already struggle to afford adequate housing in Colombia, the risk of creating a further negative impact on low-income communities makes investing in housing construction critical.

These economic and institutional challenges have in turn created social strain. Since the start of the crisis, Colombians have expressed solidarity with and have been welcoming to Venezuelans. Nonetheless, social tensions seem to be growing—from November 2018 to July 2019, the proportion of Colombians stating they have favorable views of Venezuelans shrank from 43 percent to 31 percent.<sup>75</sup> These tensions became clear in late November 2019 when, following massive countrywide strikes and

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<sup>70</sup> Clemens et al., "The Economic and Fiscal Effects."

<sup>71</sup> Christian Dustmann, Francesco Fasani, and Biagio Speciale, "Illegal Migration and Consumption Behavior of Immigrant Households," *Journal of the European Economic Association* 15, no. 3 (2017): 654–91, <https://academic.oup.com/jeea/article-abstract/15/3/654/3054461?redirectedFrom=fulltext>; Sherrie A. Kossoudji and Deborah A. Cobb-Clark, "Coming Out of the Shadows: Learning about Legal Status and Wages from the Legalized Population," *Journal of Labor Economics* 20, no. 3 (2002): 598–628, <https://www.jstor.org/stable/10.1086/339611?seq=1>; Fabio Méndez, Facundo Sepúlveda, and Nieves Valdés, "Legalization and Human Capital Accumulation," *Journal of Population Economics* 29, no. 3 (2016): 721–56, <https://link.springer.com/article/10.1007/s00148-016-0585-0>.

<sup>72</sup> World Bank, "Migración desde Venezuela a Colombia."

<sup>73</sup> IMF, "Colombia: Staff Concluding Statement of the 2020 Article IV Mission."

<sup>74</sup> Emilio Depetris-Chauvin and Rafael J. Santos, "Unexpected Guests: The Impact of Internal Displacement Inflows on Rental Prices in Colombian Host Cities," *Journal of Development Economics* 134 (2018): 289–309, <https://www.sciencedirect.com/science/article/abs/pii/S030438781830484X>.

<sup>75</sup> Proyecto Migración Venezuela, "Percepción de la integración de los migrantes venezolanos en Colombia."

protests against an assortment of government policies, Venezuelans were widely blamed and demonized for the looting and vandalism associated with the protests.<sup>76</sup> Since the COVID-19 outbreak, attitudes toward Venezuelans have only worsened. According to a survey by the *Proyecto Migración Venezuela* (Venezuela Migration Project), the percentage of respondents with an unfavorable view of Venezuelans in the country rose from 67 percent in February 2020 to 81 percent in April.<sup>77</sup> Some Colombians' negative perceptions of Venezuelans stem from a belief that Venezuelans are displacing Colombians from their jobs. An October 2019 study by Oxfam revealed that seven out of 10 Colombians thought that Venezuelans take away their jobs, worsen labor conditions, and reduce wages.<sup>78</sup>

However, in contrast to the negative perceptions, a February 2019 study shows that the effects of Venezuelans entering the labor force on Colombians' employment rates and wages have been close to zero and statistically insignificant.<sup>79</sup> These results reflect outcomes even in areas of the country where many Venezuelans have arrived. And although the effects on wages for informal and less-educated workers, specifically, are negative and statistically significant, they are tiny: estimates indicate that a one percent increase in the Venezuelan population causes just a 0.014 percent decrease in wages. Meanwhile, the impact of Venezuelans on Colombian employment rates appears to be zero or slightly *positive*. This suggests that by making the firms they work for more productive, Venezuelans are helping to create new job opportunities for Colombians. These results are not surprising—research from many other settings supports the idea that migrants and refugees often create positive, not negative, labor market effects when they arrive.<sup>80</sup>

Although the negative labor market effects of Venezuelans' arrival are small in magnitude, they should be taken seriously. This is especially true because some of the most vulnerable individuals, like informal workers with low levels of education, are the most likely to be negatively affected. As evidence, in addition to the research cited above on the impact of Venezuelan arrivals, a study found that Colombian women with low levels of education were the most likely to experience wage decreases after large-scale movements of IDPs into their communities.<sup>81</sup> Moreover, even negative labor market effects that appear small in absolute terms can have a disproportionate impact in the context of a pandemic that has exacerbated individuals' vulnerabilities and made recovery more difficult. Indeed, the employment rate in Colombia was 43 percent in May 2020—compared to 56 percent in May 2019—a plunge that will have lasting implications.<sup>82</sup> It is therefore important for policymakers, NGOs, and

<sup>76</sup> Steven Grattan, "Protests in Colombia Spark Backlash against Venezuelan Migrants," Reuters, December 1, 2019, <https://www.reuters.com/article/us-colombia-strike-venezuela/protests-in-colombia-spark-backlash-against-venezuelan-migrants-idUSKBN1Y516U>.

<sup>77</sup> Proyecto Migración Venezuela, "Percepción de la integración de los migrantes en Colombia en tiempos de coronavirus."

<sup>78</sup> OXFAM, "Si, Pero no Aquí: Percepciones de xenofobia y discriminación hacia migrantes de Venezuela en Colombia, Ecuador y Perú," October 2019, <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620890/bp-si-pero-no-aqui-251019-es.pdf?sequence=8&isAllowed=y>.

<sup>79</sup> Julieth Santamaria, "Venezuelan Exodus: The Effect of Mass Migration on Labor Market Outcomes," February 1, 2019, [http://www.ridge.uy/wp-content/uploads/2019/04/Julieth\\_Santamaria\\_LACEA\\_labor.pdf](http://www.ridge.uy/wp-content/uploads/2019/04/Julieth_Santamaria_LACEA_labor.pdf). If a result is statistically insignificant, it means that we cannot conclude with confidence that the result is not due to random chance.

<sup>80</sup> Mette Foged and Giovanni Peri, "Immigrants' Effect on Native Workers: New Analysis on Longitudinal Data," *American Economic Journal: Applied Economics* 8, no. 2 (2016): 1–34, <https://www.aeaweb.org/articles?id=10.1257/app.20150114>; Michael A. Clemens and Jennifer Hunt, "The Labor Market Effects of Refugee Waves: Reconciling Conflicting Results," *ILR Review* 72, no. 4 (2019): 818–57, <https://journals.sagepub.com/doi/abs/10.1177/0019793918824597>.

<sup>81</sup> Juan S. Morales, "The Impact of Internal Displacement on Destination Communities: Evidence from the Colombian Conflict," *Journal of Development Economics* 131 (2018): 132–50, <https://www.sciencedirect.com/science/article/abs/pii/S0304387817300822>; Valentina Calderón-Mejía and Ana María Ibáñez, "Labour Market Effects of Migration-related Supply Shocks: Evidence from Internal Refugees in Colombia," *Journal of Economic Geography* 16, no. 3 (2016): 695–713, <https://academic.oup.com/joeg/article-abstract/16/3/695/2364687>. Note that the relatively large negative labor market impact of IDPs described in these papers does not imply that the same should be true for Venezuelans; there was a larger number of IDPs, and greater similarities between IDPs and Colombians could have increased the degree of negative effects.

<sup>82</sup> DANE, "Principales indicadores del mercado laboral."

others to take action to mitigate any possible negative impacts of Venezuelans' economic inclusion into the labor market. Potential means of doing so are detailed in the recommendations below.

It is particularly important to undertake these efforts in areas of the country where there is both a large proportion of Venezuelans and a greater degree of economic vulnerability among host communities. For example, Riohacha and Cúcuta are municipal areas on Colombia's border with Venezuela where many Venezuelans enter the country and economic indicators are dismal. As of the end of 2019, they had the largest proportion of Venezuelans relative to overall population as well as the lowest average labor incomes for working Colombians; two of the three highest rates of informal employment in the country (both greater than 60 percent); and, in Cúcuta, the second highest rate of unemployment (15 percent).<sup>83</sup>

Nevertheless, with the right policy choices and programming, any negative effects of Venezuelans' economic inclusion can be mitigated. Meanwhile, greater economic inclusion would amplify the positive effects that have already been observed. Ultimately, the benefits could be widespread.

### Gaps in Realizing Venezuelans' Economic Inclusion

Despite the efforts and progress that have been made to improve economic inclusion for Venezuelans, there is still a long way to go. Most fundamentally, the majority of Venezuelans simply remain without the formal right to work, effectively barring them from the formal sector and a wide range of labor market opportunities.

However, many other challenges exist for those both with and without work authorization. The fact that only about 12.3 percent of working-age Venezuelans with PEPs had formal work as of November 2019 (compared to about 50 percent of working-age Colombians) shows that a legal right to work is not the only barrier to economic inclusion.<sup>84</sup> As discussed in the government's Income Generation Strategy (see Box 3), other barriers include poor access to financial services, a high concentration of Venezuelans in areas with relatively few job opportunities, discrimination in hiring and in the workplace, and a lack of information among employers about whether and how they can hire Venezuelans. Efforts to confront these barriers have been stymied by vast underfunding for the overall international response to Venezuelan displacement and the limited amount of funds allocated to economic inclusion.<sup>85</sup>

In November 2019, the Center for Global Development (CGD)–Refugees International (RI) research team spoke with a Venezuelan man who, fearing for his life, had fled to Colombia three years prior. His experience illustrates some of the labor market barriers Venezuelans face. He entered with his passport but was not able to obtain a PEP for some time. Before securing regular status, he was able to find a job but was drastically underpaid—earning just 20,000 Colombian pesos (about \$6) a day for 12 hours of work.<sup>86</sup> Even after acquiring a PEP, he continued to find only temporary jobs, “taking what [he] could get.” When asked what the biggest obstacles were to securing work, the man simply cited

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<sup>83</sup> Based on the authors' calculations using the data described in Appendix A.

<sup>84</sup> The figure for Venezuelans with PEPs is based on the government Income Generation Strategy. The figure for Colombians is based on our calculations using the health insurance measure of informality, with the data described in Appendix A. However, the health insurance measure of informality—for which all workers who do not claim to be paying into the main health insurance system through their employer are considered informal workers—is different than the measure described in Appendix A. We use the health insurance measure here to have comparability with the measure given by the government income strategy for Venezuelans with PEPs. Throughout the rest of the paper, we use the approach described in Appendix A.

<sup>85</sup> United Nations, “RMRP 2020.”

<sup>86</sup> In 2019, the minimum salary in Colombia was COP 828,116 per month, or about COP 38,000 per eight-hour day.



his nationality. He said employers were reluctant to hire Venezuelans they did not know and on whom they could not conduct reference checks. But without the opportunity to gain job experience in Colombia, he could not resume his profession in Colombia. He told the research team,

*I just want to work. I can't wait for others to help me.*

Similarly, an elderly Venezuelan woman caring for her two granddaughters had had stable work as a teacher in Venezuela but struggled in Colombia to find work, open a bank account, and access medical services. She yearned, she said, for a life of “dignity.”

There are broad economic challenges that affect Venezuelans and Colombians alike. As mentioned above, the Colombian labor market is characterized by high rates of informality and rising unemployment. In October 2019, the unemployment rate was 9.8 percent—the highest rate for October in almost a decade. And while the rate of informal work had been falling, informal workers still accounted for almost half the workforce.<sup>87</sup> These challenges have been exacerbated by the quarantine imposed during the pandemic, which has disproportionately affected informal workers. Colombia's unemployment rate in May 2020 had nearly doubled to 21.4 percent compared to the previous year's rate.<sup>88</sup>

Although the current economic recession is hitting the entire country, preexisting economic disparities between Colombia's administrative departments mean the pandemic is affecting some regions more than others. For example, the economic situation is especially challenging in areas along the border, where there are high concentrations of Venezuelans. Prior to the pandemic, many already experienced high rates of unemployment and informality, reaching up to 15 and 71 percent, respectively.<sup>89</sup> With fewer promising job opportunities, some regions had poverty rates greater than 50 percent, compared to the national average of 27 percent.<sup>90</sup> These outcomes are likely to worsen as a result of the global recession.

Despite these shared challenges, Venezuelans' greater difficulty in integrating into the labor market leaves them more vulnerable to the pandemic-driven economic shocks. Data show that on average, Venezuelans are clearly worse off than their Colombian counterparts.<sup>91</sup> Based on our calculations using the government's labor force surveys for August to October 2019, the average monthly labor market income for employed Venezuelans was \$212.<sup>92</sup> For Colombians, it was \$304.

Furthermore, although the employment rate (calculated as a percentage of the working-age population) prior to the pandemic was actually higher for Venezuelans than for Colombians—62 percent compared to 57 percent—the unemployment rate (calculated as a percentage of those *in the labor force*) for Venezuelans was substantially higher—16 percent compared to 10 percent for

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<sup>87</sup> DANE, “Medición de empleo informal y seguridad social.”

<sup>88</sup> Rodrigo Pedroso, Florencia Trucco, Radina Gigova, and Stefano Pozzebon, “Unemployment Soars in Latin America in the Wake of the Coronavirus,” CNN, July 1, 2020, <https://edition.cnn.com/2020/07/01/americas/latin-america-coronavirus-unemployment-intl/index.html?emci=262072c4-acbc-eall-9b05-00155d039e74&emdi=1b8af7b1-lebd-eall-9b05-00155d039e74&ceid=4606001>.

<sup>89</sup> DANE, “Principales indicadores del mercado laboral”; DANE, “Medición de empleo informal y seguridad social.”

<sup>90</sup> DANE, “Pobreza monetaria por departamentos en Colombia: año 2018,” July 12, 2019, [https://www.dane.gov.co/files/investigaciones/condiciones\\_vida/pobreza/2018/bt\\_pobreza\\_monetaria\\_18\\_departamentos.pdf](https://www.dane.gov.co/files/investigaciones/condiciones_vida/pobreza/2018/bt_pobreza_monetaria_18_departamentos.pdf).

<sup>91</sup> For descriptive statistics, we use data from the *Gran Encuesta Integrada de Hogares*, a monthly labor market survey from DANE, the Colombian Statistics Agency. These data are nationally representative and cover the months of August, September, and October 2019. All Venezuelans, regardless of legal status, are eligible to be included in the sample. See Appendix A for a more detailed description of these data and how we used them.

<sup>92</sup> Figures in this case study are in U.S. dollars.



Colombians.<sup>93</sup> This confirms that Venezuelans are having a more difficult time integrating into the labor market.<sup>94</sup> Venezuelans are working informally at especially high rates: at the time of the surveys, 70 percent of employed Venezuelans were in the informal market, compared to 58 percent of employed Colombians.<sup>95</sup> This indicates that Venezuelans may be more vulnerable to exploitation, which is more common in the informal sector, and that they are likely to be more affected by the quarantine restrictions.

Income gaps are especially large for Venezuelan women, who accounted for 52 percent of the total working-age Venezuelan population in Colombia. Figure 3 indicates that both male and female Venezuelans earn substantially less than Colombians of the same gender. Venezuelan women—like Colombian women—also earn far less than their male counterparts. This means that Venezuelan women are at a double disadvantage due to their gender and status as migrants. The reasons include a lack of access to childcare services, risk of sexual harassment and gender-based violence, and lack of local social networks—all of which have been exacerbated by the pandemic. Thus, there is a need for differentiated policies and programs and additional support to account for Venezuelan women's distinct needs.

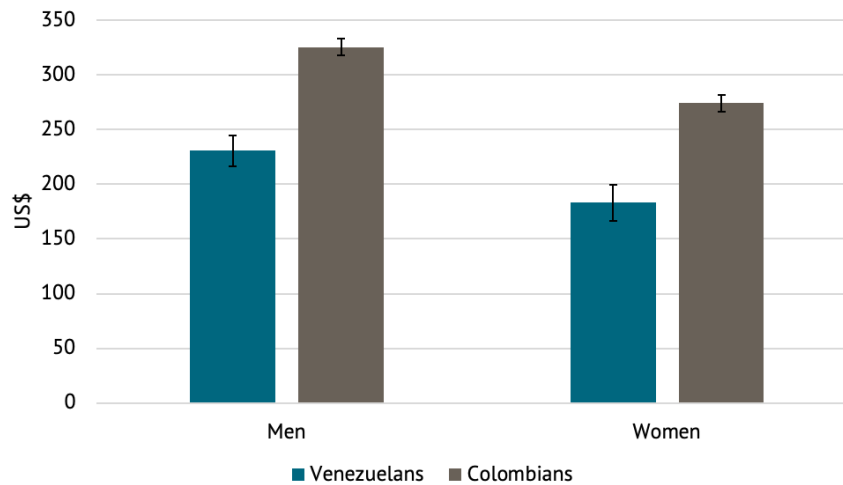
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<sup>93</sup> Based on the authors' calculations using the data described in Appendix A. The labor force includes people who are employed or unemployed but actively looking for work.

<sup>94</sup> To clarify, Venezuelans have higher employment *and* unemployment rates because their labor force participation rate is much higher. The unemployment rate = (the number unemployed) / (the number in the labor force). The employment rate = (the number employed) / (the number of working age people).

<sup>95</sup> Calculated using the data described in Appendix A.

Figure 3. Average Monthly Labor Income for Employed Individuals, by Sex and Nationality

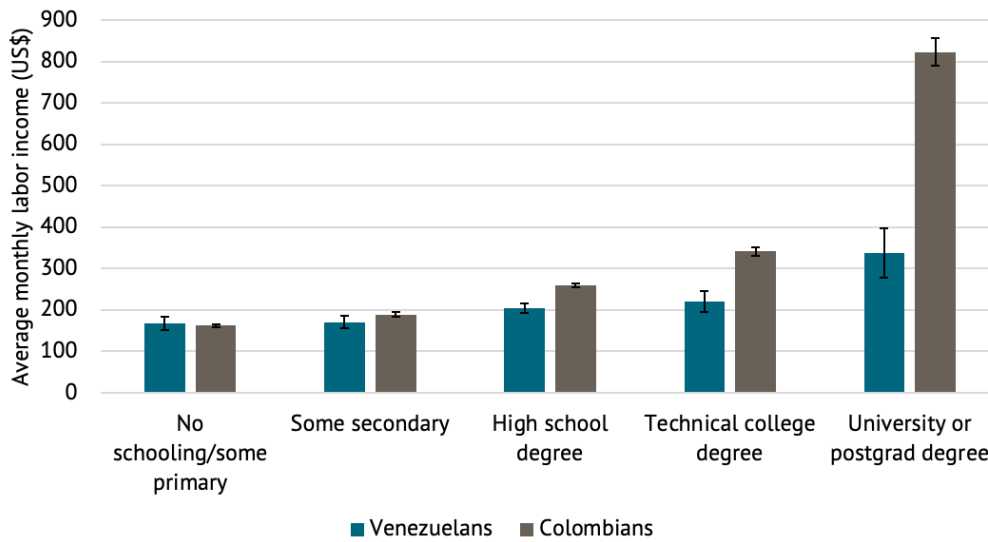


Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendix A for more details.

Note: The error bars indicate a 95 percent confidence interval.

Examining labor market outcomes by education group shows that the most educated Venezuelan individuals are faring the worst, relatively speaking. Figure 4 shows that at the time of the survey, there was no statistically significant difference in the incomes of Venezuelans and Colombians with no schooling or some primary schooling, or with some secondary schooling. For those with a high school degree, Colombians were earning substantially more on average, by about 27 percent. For those who are even more highly educated, the gaps became increasingly larger—Colombians with postsecondary education were earning much more than their Venezuelan counterparts. In fact, Colombians with technical college degrees and university or postgraduate degrees, respectively, were earning 55 and 144 percent more on average than their Venezuelan counterparts. This suggests that highly educated Venezuelans are having an especially difficult time obtaining work commensurate with their education; that is, they are underemployed at high rates. While there is clearly a strong correlation between income and education for Colombians, this is much less the case for Venezuelans.

Figure 4. Average Labor Income for Employed Individuals, by Education and Nationality

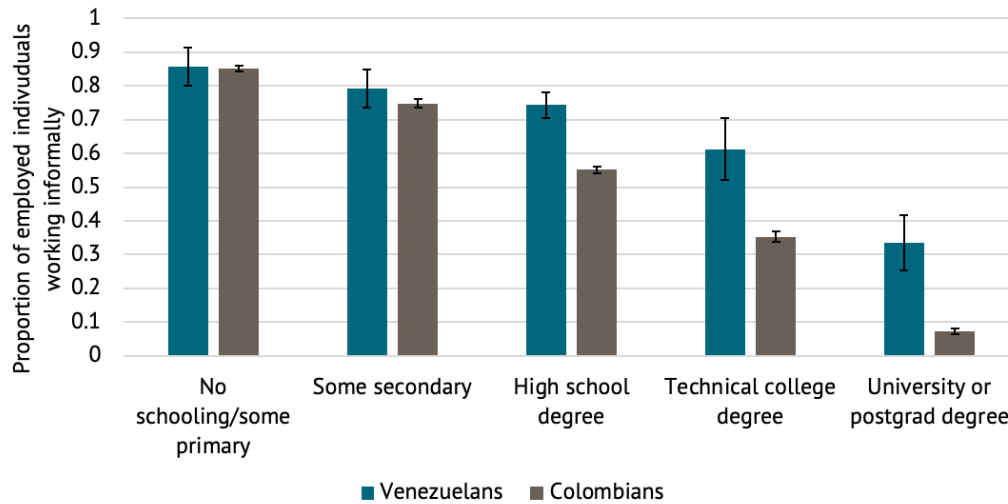


Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendix A for more details.

Note: The error bars indicate a 95 percent confidence interval. Postgrad = postgraduate.

Informality rates by education and nationality further underscore the relatively poor labor market outcomes for highly educated Venezuelans. Figure 5 shows that rates of informality for Colombians and Venezuelans without high school degrees are comparable. But among those holding high school or higher degrees, Venezuelans are much more likely to be working informally. Venezuelans with university or postgraduate degrees, in particular, were 358 percent more likely than their Colombian counterparts to be working informally at the time of the survey.

Figure 5. Informal Employment Rates, by Education and Nationality



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendix A for more details.

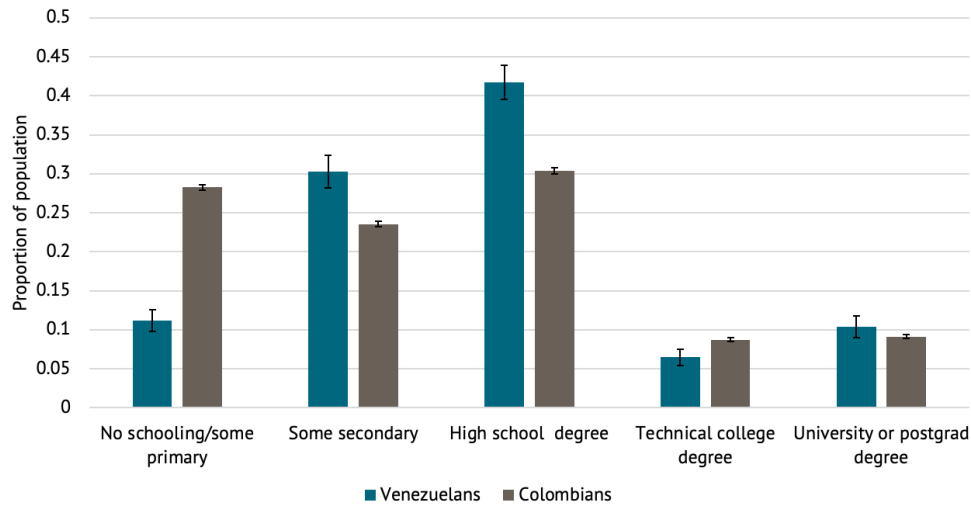
Note: The error bars indicate a 95 percent confidence interval. Postgrad = postgraduate.

The high rates of both underemployment and informality indicate that many highly educated Venezuelans are underutilizing their skills, likely because they face barriers to entering the labor market. In fact, data show that 14 percent of Venezuelans (compared to 5 percent of Colombians) with university or postgraduate degrees were working in elementary occupations, such as street vending or trash collecting.<sup>96</sup>

Indeed, the relatively poor labor market outcomes for well-educated Venezuelans represent a major loss—particularly because the Venezuelan population is more educated than the Colombian population. Figure 6 shows that compared to Colombians, a greater proportion of Venezuelans in Colombia at the time of the survey had high school degrees, and a greater proportion had university or postgraduate degrees. Overall, the percentage of individuals with a degree was 10 percentage points greater for Venezuelans. But with so many earning relatively low incomes and facing high rates of informality, it is clear that Colombia is forgoing potential gains from this rich source of human capital.

<sup>96</sup> Calculated using the data described in Appendix A. Job types are based on the 2008 International Standard Classification Codes (ISCO) adapted for Colombia. Elementary occupations are defined as jobs whose ISCO begins with 9. See pages 35–36 in the document cited below for more examples. DANE, “Clasificación Internacional Uniforme de Ocupaciones: adaptada para Colombia,” July 2015, [https://www.dane.gov.co/files/sen/nomenclatura/ciuo/CIUO\\_08\\_AC\\_2015\\_07\\_21.pdf](https://www.dane.gov.co/files/sen/nomenclatura/ciuo/CIUO_08_AC_2015_07_21.pdf).

Figure 6. Education Profiles, by Nationality

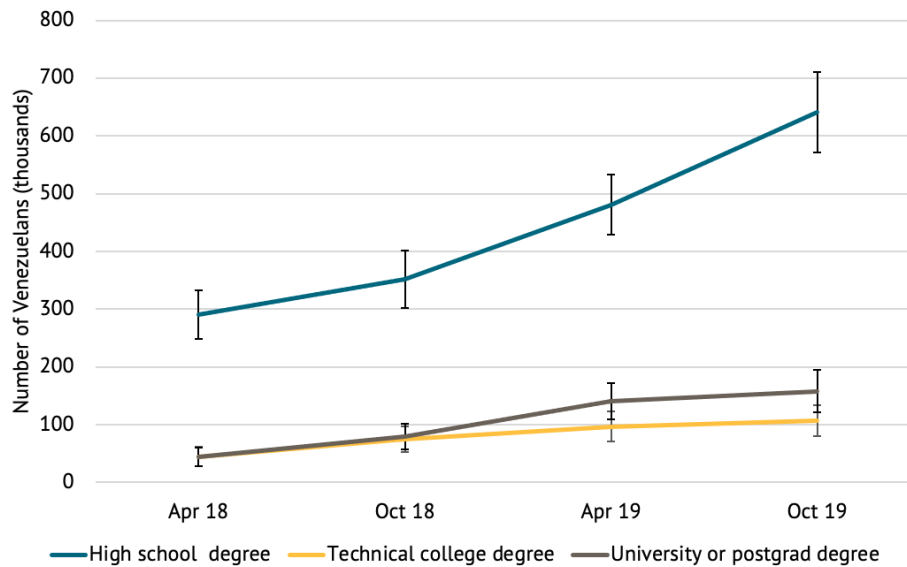


*Source:* Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendix A for more details.

*Note:* Includes working-age populations. The error bars indicate a 95 percent confidence interval. Postgrad = postgraduate.

Until the outbreak of COVID-19 compelled Colombia to close its borders, highly educated Venezuelans continued to enter the country. Though the number of Venezuelans in Colombia with postgraduate degrees has remained more or less constant, the number with high school degrees, vocational college degrees, and university degrees had continued to increase. As Figure 7 shows, the total number of Venezuelans with university or postgraduate degrees increased by about 114,000 during the year-and-a-half period from April 2018 to October 2019.

Figure 7. Number of Venezuelans with Degrees, over Time



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares. See Appendix A for more details.

Note: The error bars indicate a 95 percent confidence interval. Postgrad = postgraduate.

There are large income gaps for groups within the Colombian population, as well. The labor market data show that Colombians who had returned from Venezuela in the past five years had roughly the same average monthly income as Venezuelans. And although other socially and economically marginalized groups like IDPs cannot be identified in our data, we know from other sources that they face unique barriers.<sup>97</sup> These dynamics further underscore the need for policymakers and implementers to incorporate these groups into economic inclusion efforts, especially given the economic crisis. During interviews conducted by the joint research team, an employee of an international NGO mentioned,

*Colombian returnees and IDPs face similar barriers to economic inclusion. For instance, access to banking is a big challenge for IDPs, who experience general mistrust from the local population. We need to create programs to include them, too.*

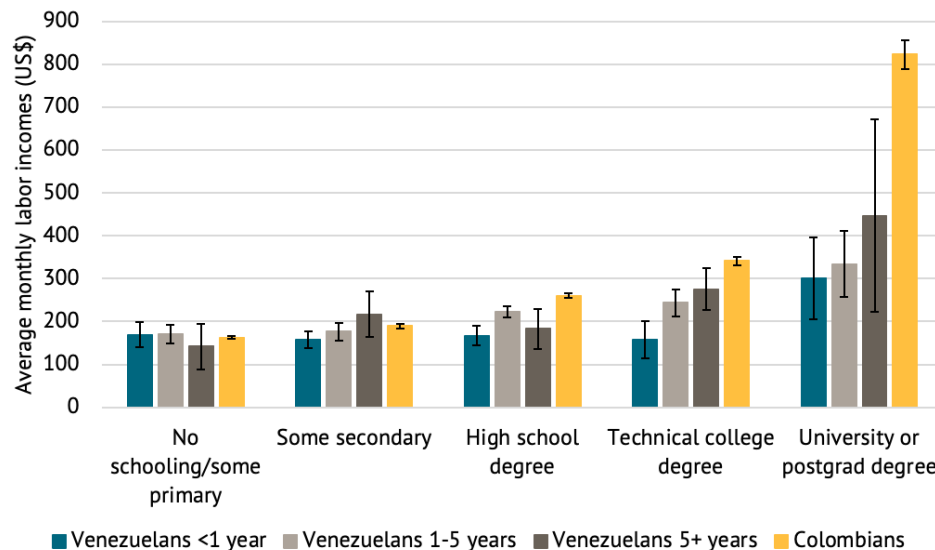
The discrepancy in labor market outcomes between Venezuelans and Colombians can be partially attributed to the time it takes for refugees and forced migrants, regardless of the context, to integrate into labor markets.<sup>98</sup> Figure 8 shows that for more highly educated Venezuelans, more time in the country is associated with higher labor incomes. However, even Venezuelans who had been in the country for five or more years had much poorer labor market outcomes than did Colombians. This indicates that economic inclusion will not necessarily happen with time alone—proactive measures must be taken to help Venezuelans integrate. Moreover, such measures must target all displaced persons, regardless of how long they have been in the host country. Given the benefits that economic inclusion brings, the sooner this can be done, the more benefits will accumulate.

<sup>97</sup> IDMC, "Colombia: Tackling Protracted Displacement."

<sup>98</sup> For example, Barry R. Chiswick, "The Effect of Americanization on the Earnings of Foreign-born Men," *Journal of Political Economy* 86, no. 5 (1978): 897–921, <https://www.jstor.org/stable/1828415?seq=1>.



Figure 8. Average Monthly Labor Income for Employed Individuals, by Education and Nationality/Time in Colombia



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendix A for more details.

Note: The error bars indicate a 95 percent confidence interval. Postgrad = postgraduate.

Although the pandemic has certainly devastated economic prospects for Venezuelans and Colombians alike, the impact has been greater for Venezuelans. According to a recent analysis by CGD and RI, prior to the outbreak, 64 percent of employed Venezuelans were working in sectors of the economy that were most affected by COVID-19, compared to 47 percent of employed Colombians. Refugee women in particular have been the hardest hit. Of Venezuelan women, 78 percent were working in highly affected sectors, compared with 57 percent of Venezuelan men and 59 percent of Colombian women.<sup>99</sup> Without a doubt, COVID-19 has further exacerbated the gaps in economic inclusion for Venezuelans.

Ultimately, the shortfalls of economic inclusion described are significant because they both result in missed economic opportunities for Colombia and exacerbate risks to displaced Venezuelans. Those who cannot secure adequate incomes are left struggling to meet their basic needs, including food and shelter. The challenges are particularly acute for members of marginalized groups, who face a double disadvantage. Namely, discrimination against these individuals—including women, LGBTQI+ individuals, and indigenous people—may make it harder for them to secure a decent job even while available humanitarian aid fails to adequately provide for their unique needs.

In addition to the vulnerabilities resulting from receiving inadequate wages, a range of difficulties and protection concerns stem from working informally. Informal workers have little job security and are more vulnerable to exploitation and abuse. They often work for longer hours and are paid lower rates relative to their Colombian counterparts. As one Colombian employer mentioned to the research team, “the real problem is labor exploitation . . . which is heavily influenced by irregularity.” Another

<sup>99</sup> Graham et al., “The Effect of COVID-19.”

Colombian employer agreed about “[the] need to raise awareness [on these issues] and improve the economic inclusion of Venezuelans.”

The precarity associated with informal work has wide-reaching negative effects for Venezuelan families. For example, “Alejandra,” a Venezuelan mother of four, works informally as a domestic worker in Colombia. Although she has a PEP, she has been unable to find formal and stable work. “I used to formally work in Venezuela, but here no one wants to give me a contract. Some days I work, some other days I don’t.” Alejandra mentioned that due to the uncertainty of her situation, she has not been able to send her children to school:

*I need to find a formal job so I can send my children to school. But most days I don’t even know if I will be able to pay the rent and stay here.*

Economic insecurity can increase physical security risks. Venezuelans arrive and often settle in the same areas where Colombia’s persistent internal conflict and internal displacement crisis play out most, namely, the border regions and certain urban neighborhoods where costs of living are lower. Having few financial means or economic opportunities, Venezuelans are susceptible to harassment, exploitation, and recruitment by armed groups. Venezuelans arriving irregularly face especially high risks, as criminal groups control informal border crossings (known in Spanish as *trochas*). These groups demand bribes for passage and often steal what little Venezuelans carry on them, making their situation even more precarious. Similarly, desperate for work, Venezuelan women in particular are vulnerable to being deceived into human trafficking networks or sexual exploitation.<sup>100</sup> IDPs, who largely live in the same areas and face their own economic challenges, are exposed to many of the same risks.<sup>101</sup>

Now, the pandemic and resulting quarantine have exacerbated economic insecurity and the harm it creates. Unable to pay their rent and faced with eviction, tens of thousands of Venezuelans have resorted to trying to return to Venezuela—a country that remains unsafe, economically devastated, and completely unequipped to handle a public health crisis.<sup>102</sup> The Colombian government, faced with large groups gathering at the closed border, opened a humanitarian corridor to prevent risky crossings through informal routes and manage individuals’ returns more safely. However, the Venezuelan government placed restrictions on the number of people who could return, leading to dangerous bottlenecks of increasingly desperate individuals trapped in crowded, unsanitary makeshift camps during a pandemic.<sup>103</sup> Moreover, Colombian government officials anticipate that those returning to Venezuela during the pandemic will try to go back to Colombia once borders fully reopen.<sup>104</sup> In fact, it is even possible that more Venezuelans will flee to Colombia as COVID-19 takes a humanitarian and economic toll on Venezuela’s already collapsed systems. These realities lend greater urgency than ever to finding sustainable solutions for displaced Venezuelans inside Colombia.<sup>105</sup>

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<sup>100</sup> Devon Cone, “Searching for Safety: Confronting Sexual Exploitation and Trafficking of Venezuelan Women and Girls,” Refugees International, August 5, 2019, <https://www.refugeesinternational.org/reports/2019/8/2/searching-for-safety-venezuela-trafficking>.

<sup>101</sup> IDMC, “Colombia: Tackling Protracted Displacement.”

<sup>102</sup> Panayotatos and Schmidtko, “Searching for Home.”

<sup>103</sup> John Otis, “Venezuelan Migrants Return Home amid COVID-19 Pandemic,” NPR, August 13, 2020,

<https://www.npr.org/2020/08/13/902073791/venezuelan-migrants-return-home-amid-covid-19-pandemic>.

<sup>104</sup> Steven Grattan, “Returning Venezuelans in Squalid Quarantine Face Uncertain Future,” *Guardian*, April 16, 2020, [https://www.theguardian.com/global-development/2020/apr/16/venezuelans-returning-squalid-quarantine-migrants?CMP=Share\\_iOSApp\\_Other](https://www.theguardian.com/global-development/2020/apr/16/venezuelans-returning-squalid-quarantine-migrants?CMP=Share_iOSApp_Other).

<sup>105</sup> “Venezuela restringe paso de sus ciudadanos desde Colombia,” *El Tiempo*, August 21, 2020,

<https://www.eltiempo.com/mundo/venezuela/venezuela-restringe-paso-de-sus-ciudadanos-desde-colombia-531652>.

## BENEFITS FROM GREATER ECONOMIC INCLUSION

Improving the economic inclusion of Venezuelans—and of host communities—would address many of the challenges discussed in the previous section and benefit both displaced Venezuelans and Colombian society overall. It would lead to shared economic growth, a smaller informal sector, benefits for the Colombian private sector, reduced social tensions and xenophobia, and mitigated protection concerns. While the pandemic-driven economic slowdown will have effects on the degree to which Venezuelans are able to integrate into the Colombian economy, the benefits of inclusion not only still apply but will support economic recovery.

### Higher Incomes and Increased GDP

Greater economic inclusion would lead to higher incomes for Venezuelans, which would in turn create a positive ripple effect throughout the economy. When individuals have higher incomes, they spend more money at local businesses. As a result, those businesses earn higher revenues and thus can hire more workers. The workers, in turn, earn higher incomes and spend more in the economy, replicating the positive effects elsewhere. Thus, if Venezuelans' incomes grow, the economy will grow even more, likely leading to an increase in GDP per capita. Moreover, all of this increased spending allows the government to collect more in consumption taxes, thereby raising government revenue.

The effects of increases in individuals' income on the broader economy were demonstrated in a recent study of cash transfers made to individuals in a rural Kenyan economy. The results showed that injections of cash through direct transfers—which are tantamount to increases in labor income—have large “multiplier effects.”<sup>106</sup> The analysis found that for every \$1.00 that was transferred, the economy grew by \$2.60. Thus, the initial recipients of the cash were not the only ones who benefited. Likewise, when Venezuelans earn more, others in the economy will benefit.

To estimate the extent to which Venezuelans' incomes would increase as a result of economic inclusion, we predict the labor income that each Venezuelan in the sample would have if they were Colombian. This is done using a simple statistical procedure that essentially compares the labor income a Venezuelan individual actually receives (observed income) to the labor income that we predict a Colombian individual with the same age, sex, education, and location would receive. We assume that by already taking into account the effects of those particular traits, any discrepancy in the labor income is explained by other characteristics unique to Venezuelans. In turn, by using the predicted Colombian income as the benchmark, we can calculate how much Venezuelans stand to gain from economic inclusion if all barriers specific to them were eliminated.<sup>107</sup> To be clear, this approach does not analyze the effects of *all* barriers being eliminated, since Colombians also experience barriers to economic inclusion. Rather, it examines the effects of the barriers *specific to Venezuelans*.

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<sup>106</sup> Dennis Egger, Johannes Haushofer, Edward Miguel, Paul Niehaus, and Michael Walker, “General Equilibrium Effects of Cash Transfers: Experimental Evidence from Kenya,” unpublished working paper, <http://emiguel.econ.berkeley.edu/research/general-equilibrium-effects-of-cash-transfers-experimental-evidence-from-kenya>.

<sup>107</sup> More specifically, we conduct the following procedure. First, using the data only from the working-age *Colombians* in our sample (described in Appendix A), we create a statistical model that predicts labor income based on age, sex, education, and location. Second, we use this model to predict labor income for each of the *Venezuelans* in the sample. Since the model was created based on data for Colombians, the predicted incomes for Venezuelans are the amounts they would be expected to earn *if they were Colombian*. In other words, it is the income they would be predicted to earn *if all Venezuelan-specific barriers to economic inclusion were lowered*. Third, we compare the average *observed* Venezuelan labor income to the average *predicted* Venezuelan labor income to see how much they would gain if all Venezuelan-specific barriers to economic inclusion were lowered. For a more detailed discussion of this methodology, see Appendix B.

Using this methodology, we estimate that if barriers to Venezuelans' economic inclusion were lowered, their average monthly incomes would increase from \$131 to \$186. Over the course of the three months that our sample observes, this would imply an increase of aggregate Venezuelan incomes and GDP of about \$250 million. That, in turn, translates into a yearly aggregate GDP increase of about \$996 million, representing about 0.3 percent of Colombia's GDP in 2018. In fact, this approach likely underestimates gains to GDP, as it does not account for the multiplier effect discussed in the Kenya example above. These and other findings are summarized in Table 2.

**Table 2. Summary of Predicted Effects of Economic Inclusion for Venezuelans**

Average increase in Venezuelans' monthly income	42%
Average increase in Venezuelan women's monthly income	67%
Increase in GDP	\$996 million
Increase in rate of formal work for Venezuelans	11 percentage points
Increase in number of formal Venezuelan workers	161,047

Achieving these gains would require all Venezuelan-specific barriers to economic inclusion—from a lack of work rights to insufficient job opportunities—to be lowered. That is, to achieve the estimated increase in Venezuelans' incomes, there must be a comprehensive response that lowers legal barriers while stimulating economic opportunity.

It may not be realistic to expect that *all* barriers to economic inclusion will be lowered; refugees and forced migrants will likely always face some unique difficulties in integrating into the labor force. However, history shows that through strategic policy choices, it is certainly possible to lower many of the largest barriers to economic inclusion.<sup>108</sup> For example, when German policymakers lowered the amount of time that Kosovar asylum seekers had to wait before entering the formal labor market, the asylum seekers' employment rates increased by 20 percentage points—a massive step toward economic inclusion.<sup>109</sup> In Turkey, policies making it easier for refugees to start businesses created an enabling environment that allowed Syrians, during the 2011–2016 period, to create more than 6,000 formal companies that employed an average of 9.4 people.<sup>110</sup> Ultimately, the more barriers are lowered, the closer Venezuelans' gains will be to our estimates.

It is important to reiterate that this analysis was conducted using data from before the outbreak of COVID-19. Thus, it does not account for the major changes in labor market outcomes that have occurred in recent months. Given that more Venezuelans than Colombians were working in the sectors most affected by the quarantine, it is likely that the income gap has grown even larger. As a

<sup>108</sup> Clemens et al., "Migration Is What You Make It."

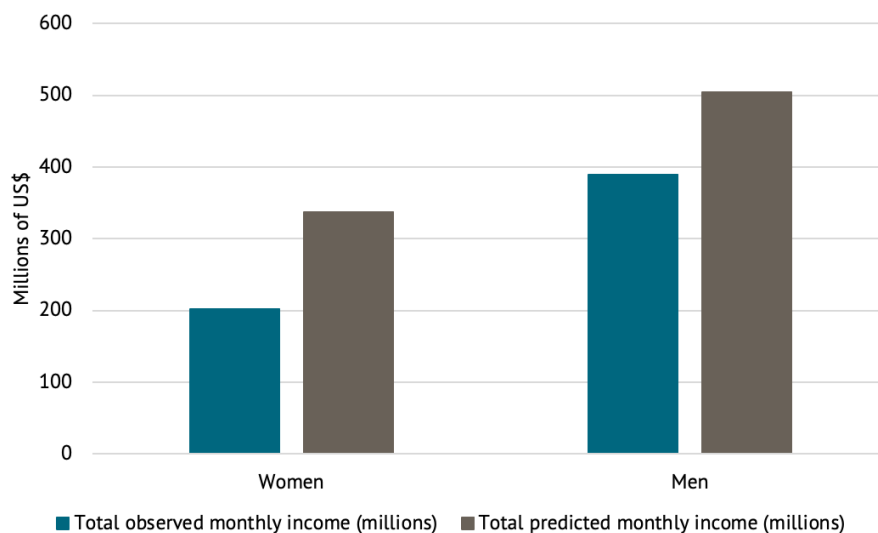
<sup>109</sup> Moritz Marbach, Jens Hainmueller, and Dominik Hangartner, "The Long-term Impact of Employment Bans on the Economic Inclusion of Refugees," *Science Advances* 4, no. 9 (2018), [https://advances.sciencemag.org/content/4/9/eaap9519?utm\\_source=TrendMD&utm\\_medium=cpc&utm\\_campaign=TrendMD.1](https://advances.sciencemag.org/content/4/9/eaap9519?utm_source=TrendMD&utm_medium=cpc&utm_campaign=TrendMD.1).

<sup>110</sup> Selen Ucak, "Another Side to the Story: A Market Assessment of Syrian SMEs in Turkey," Building Markets, 2017, [https://buildingmarkets.org/sites/default/files/pdm\\_reports/another\\_side\\_to\\_the\\_story\\_a\\_market\\_assessment\\_of\\_syrian\\_smes\\_in\\_turkey.pdf](https://buildingmarkets.org/sites/default/files/pdm_reports/another_side_to_the_story_a_market_assessment_of_syrian_smes_in_turkey.pdf).

result, the potential gains for Venezuelans and the economy as a whole are probably even larger than our estimates predict.

Our analysis further shows that gains for Venezuelan women in Colombia would drive a large part of the growth in incomes. As Figure 9 shows, lowering barriers to economic inclusion would increase three-month incomes for Venezuelan women by an estimated \$135 million, compared to \$115 million for men (the average monthly increases for individuals would be \$58 and \$53, respectively). These findings are consistent with evidence from various countries where closing wage gaps for refugee women created large economic benefits.<sup>111</sup>

Figure 9. Comparison of Aggregate Predicted and Observed Monthly Incomes for Venezuelan Men and Women



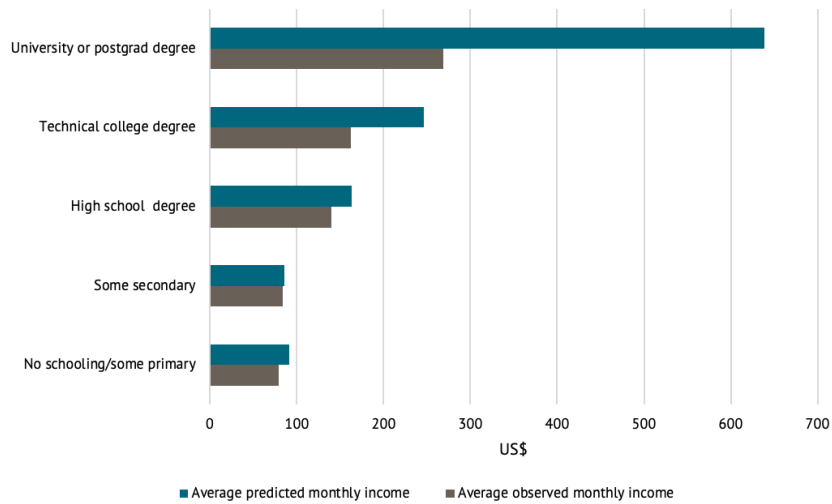
Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendixes A and B for more details.

Nevertheless, Venezuelan women still would earn much less than their male counterparts if they were to converge with Colombian women in terms of labor market outcomes. In fact, if we predict the incomes that Venezuelan women would have if they were Colombian men, they would see an average monthly increase of \$165, meaning they would earn 191 percent more than they currently do. Ultimately, then, there is much to gain from addressing both Venezuelan-specific and female-specific barriers to economic inclusion.

Accelerating economic inclusion for individuals with university degrees would also yield large gains. Figure 10 shows that there are especially large gaps between observed and predicted incomes for Venezuelans with postsecondary degrees. As Figure 11 shows, if Venezuelans with university or postgraduate degrees were to earn as much as their Colombian peers, their three-month income would increase by \$173 million.

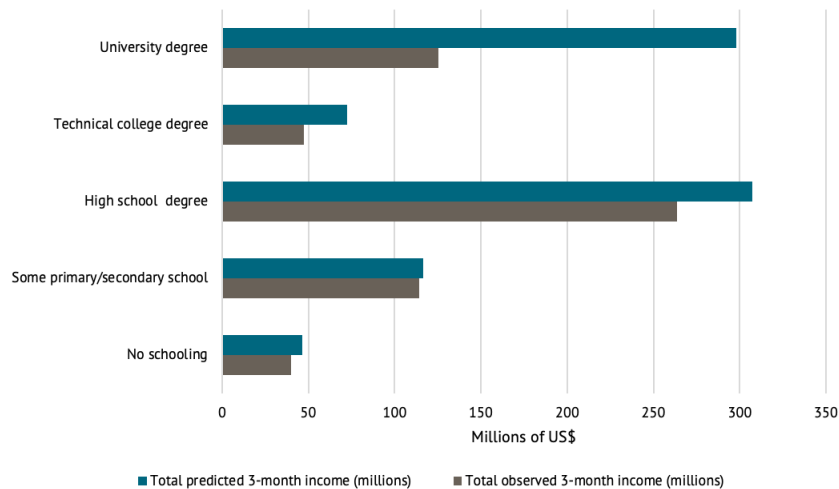
<sup>111</sup> Raiyan Kabir and Jeni Klugman, "Unlocking Refugee Women's Potential," IRC and the Georgetown Institute for Women, Peace, and Security, July 2019, <https://www.rescue.org/sites/default/files/document/3987/reportrescueworksunlockingrefugeewomenspotential.pdf>.

Figure 10. Average Predicted and Observed Monthly Incomes for Venezuelans, by Education



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendixes A and B for more details. Postgrad = postgraduate.

Figure 11. Aggregate Predicted and Observed Three-Month Incomes for Venezuelans, by Education



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendixes A and B for more details.

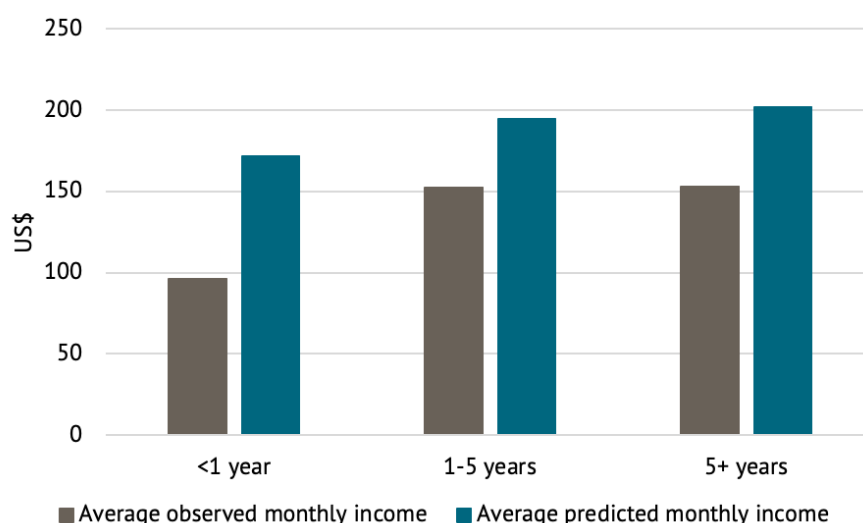
Interesting to note, the predicted income changes for those with only high school degrees or some primary/secondary school are small. As Figure 11 shows, these groups are already earning about as much as they would be predicted to earn if they were Colombian. In other words, the barriers to economic inclusion for these groups may not be as large as the barriers for other groups. This could be due in part to the fact that they are less likely to work formally in the first place and are thus less encumbered by a lack of formal labor market access. They also may have fewer credentials or skills to verify, such that procedural obstacles to verification do not affect them. This is not to say that lowering other barriers—from limited access to childcare to xenophobia—would not help this group. Indeed,



doing so would likely help them earn even more. But the economic returns to such approaches may be smaller than approaches to facilitating economic inclusion for more educated Venezuelans. This suggests that policymakers should focus on barriers for more educated migrants, even while maintaining support for the less educated.

The analysis confirms our finding that time alone is not sufficient for Venezuelans to achieve economic inclusion. Figure 12 shows that while the predicted gains are largest for those who have been in the country for less than a year, the gains are still large for those who have been in the country for a longer period of time. In fact, those who have been in the country for one to five years have almost the same predicted income gains as those who have been in the country for more than five years. This indicates that while time does influence income levels, it is certainly not the only factor relevant to economic inclusion.

Figure 12. Average Predicted and Observed Monthly Incomes for Venezuelans, by Time in the Country



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendices A and B for more details.

Another important finding from the analysis is that location explains part of the gap in incomes. If we repeat the above analysis without controlling for location, we can determine how much more Venezuelans would be expected to earn if barriers to economic inclusion were lowered *and* they lived in areas of the country that offer the same amount of economic opportunity that the average Colombian enjoys. Taking this approach, we find that the expected monthly earnings for Venezuelans would be \$189—or \$3 higher than the analysis with location controls.

These findings suggest that Venezuelans are concentrated in areas with less lucrative job opportunities, compared to the average Colombian. This should not be surprising since, as Figure 2 shows, a large number of Venezuelans are concentrated in relatively underdeveloped border areas like Cúcuta, Riohacha, and Valledupar, where unemployment rates are greater than 15 percent.<sup>112</sup> This has two major implications. First, there is a need to create job opportunities in those areas to both

<sup>112</sup> DANE, "Principales indicadores del mercado laboral"; World Bank, "Migración desde Venezuela a Colombia."

accelerate economic inclusion for Venezuelans and improve the economic situation of Colombians there. Second, while location is apparently not the largest determinant of income gaps, Venezuelans would likely earn more if they were located in areas with more labor market opportunities. Facilitating voluntary relocation within Colombia, as we discuss below, could help them achieve this goal.

Our analysis shows that accelerating efforts to improve economic inclusion for Colombian returnees would yield large benefits. The predicted average income for returnees under a situation of lowered economic barriers is \$148 per month, compared to the current \$131. In aggregate, this amounts to \$72 million per year. Data are not available to study the income effects for IDPs, but given the many economic disadvantages IDPs face, it is likely they would experience similar predicted gains.<sup>113</sup> Ultimately, this potential for growth implies a strong need to involve other marginalized populations—including Colombian returnees and IDPs—into economic inclusion efforts.<sup>114</sup>

### Higher Levels of Formality

In addition to increasing incomes, lowering the barriers to economic inclusion would expand Colombia's formal economy, increasing the number of both Venezuelan and Colombian formal workers. Following the same methodology as in the previous section, we estimate that the formal work rate among Venezuelans would rise from 30 percent to 41 percent and the total number of formal workers would increase from 293,060 to 454,107. Improving economic inclusion for host communities would likely have a similar effect.

Higher rates of formality could potentially lead to positive fiscal effects. Securing formal work is made possible by regularizing one's status, which also gives one more access to services. This, in turn, requires higher government spending. However, the government would collect more income tax from the larger number of people working formally. For this reason, the net fiscal impact of integrating Venezuelans is ambiguous. However, various studies from other contexts have shown how, particularly in the medium to long term, the presence of migrants and refugees can have positive fiscal effects—particularly if they are well integrated into the economy.<sup>115</sup> As migrants and refugees integrate into the economy over time, they pay more in taxes and depend less on government services.<sup>116</sup> Ultimately, then, accelerating economic inclusion for Venezuelans will likely have a positive fiscal effect in Colombia.

Increasing rates of formality would have an especially positive impact on the Colombian pension system. Venezuelans working in the formal sector are automatically enrolled in, and contribute to, the social security system, which includes pension and healthcare benefits. Furthermore, Venezuelans will likely contribute much more to the pension system than they take out because the Venezuelan population is very young on average—and much younger than the Colombian population (see Figure 13). Thus, the more Venezuelans who enter the formal market, the greater the boost to Colombia's social security system.

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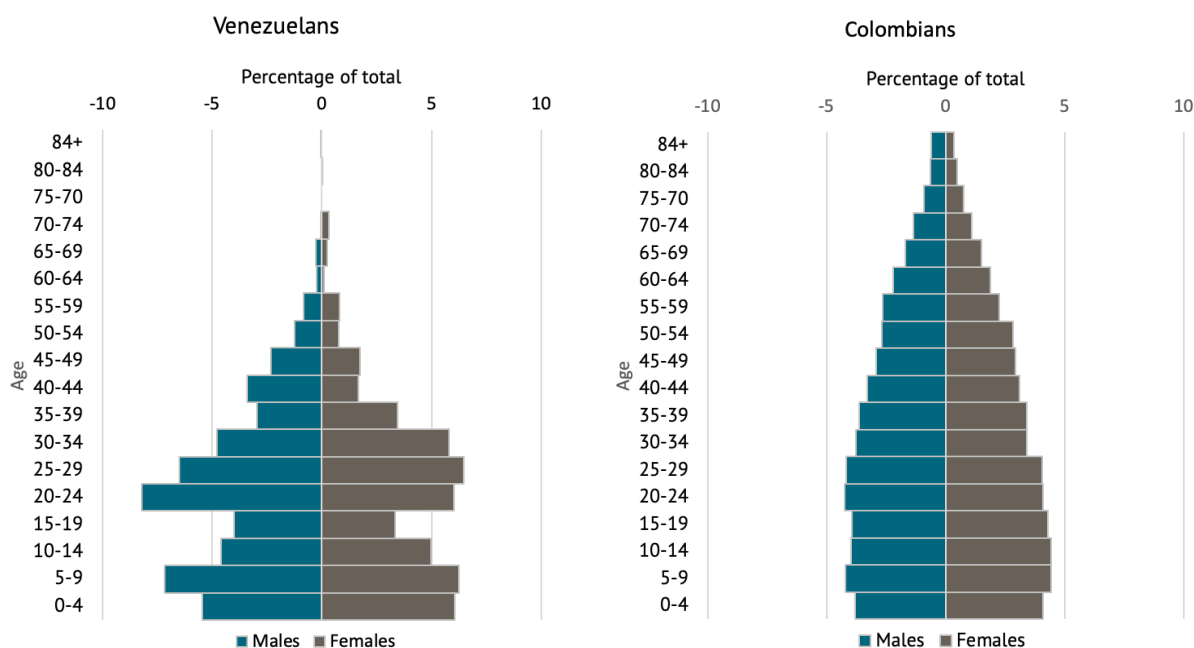
<sup>113</sup> IDMC, "Colombia: Tackling Protracted Displacement."

<sup>114</sup> Note that we cannot calculate the potential gains for IDPs as they cannot be identified in the data set.

<sup>115</sup> In the United States, for example, researchers found that the average refugee is a net fiscal contributor after eight years. William N. Evans and Daniel Fitzgerald, "The Economic and Social Outcomes of Refugees in the United States: Evidence from the ACS," NBER, June 2017, <https://www.nber.org/papers/w23498>.

<sup>116</sup> Stefan Bach, Herbert Brücker, Peter Haan, Agnese Romiti, Kristina van Deuverden, and Enzo Weber, "Refugee Integration: A Worthwhile Investment," DIW, 2017, [https://www.diw.de/documents/publikationen/73/diw\\_01.c.551747.de/diw\\_econ\\_bull\\_2017-03-1.pdf](https://www.diw.de/documents/publikationen/73/diw_01.c.551747.de/diw_econ_bull_2017-03-1.pdf).

Figure 13. Comparison of Age Structures of Venezuelans and Colombians



Source: Authors' calculations using Colombia's Gran Encuesta Integrada de Hogares for August to October 2019. See Appendixes A and B for more details.

Meanwhile, the increase in formality would reduce job competition among workers in the informal sector. As previously mentioned, the impact of Venezuelan migration on the wages and employment rates of less-educated, informal workers is very small but not negligible. A movement of Venezuelan workers from the informal to the formal market would reduce the supply of labor in the informal market, potentially leading to higher wages for Colombians remaining in the informal market.<sup>117</sup> In this way, higher levels of formality would positively affect informal Colombian workers. It is therefore very likely that improving economic inclusion and access to the formal labor markets for Venezuelans already in the country will lead to more positive labor market outcomes for Colombians, even in the short term. This is especially true for those who live in areas with low income levels and high concentrations of Venezuelans, such as Cúcuta, Riohacha, and Valledupar.

Nonetheless, even with all the positive labor market benefits of greater economic inclusion, some Colombians may experience difficulties as a result of the changes. For example, if economic inclusion leads to more Venezuelans' entering the formal sector, there may be some degree of job displacement among formal workers.<sup>118</sup> That is, even if there is a positive *average* effect in the formal sector, some formal workers may lose while others gain.

Still, this initial loss may lead to eventual benefits in the long run. For example, research from Denmark shows that when refugees arrived in the country, some Danes were displaced from their jobs in the short term. As a result, they upgraded their skills to become more competitive in the labor

<sup>117</sup> Clemens et al., "The Economic and Fiscal Effects."

<sup>118</sup> Dany Bahar, Ana Maria Ibanez, and Sandra V. Roza, "Give Me Your Tired and Your Poor: Impact of a Large-scale Amnesty Program for Undocumented Refugees," IZA Discussion Paper, September 2020, <http://ftp.iza.org/dp13743.pdf>.

market and eventually went on to earn more. Thus, those who were exposed to more immigration earned *more* in the long run.<sup>119</sup> Nonetheless, despite the likelihood of long-term gains, the possibility of some Colombians' being negatively affected in the short run underscores the importance of introducing policies and programs that account for and mitigate any potential negative effects.

## Improved Protection and Self-reliance

In addition to benefiting the wider economy, higher incomes would improve Venezuelans' well-being and self-reliance and address many protection concerns. Higher incomes would help mitigate a range of problems driven by high rates of poverty, including reduced food consumption and an inability to afford healthcare.<sup>120</sup> They could help prevent Venezuelans from having to adopt negative coping strategies—such as sex work, child labor, dropping out of school to work, or involvement in illicit activities—that they sometimes resort to when left without alternative means to survive.<sup>121</sup>

Even for Venezuelans who do not obtain formal work, regularization and the legal right to work would generate large benefits. Freed from the risk of retribution due to their irregular status, regularized Venezuelans would be less fearful of approaching the authorities and accessing government institutions. As a result, they may be more likely to report crimes, workplace abuse, or sexual harassment; search for work; request assistance; or advocate for rights at work.<sup>122</sup> The sense of stability and security that regularization offers—in addition to the rights it grants—could improve general well-being.<sup>123</sup>

But greater economic inclusion will not address all protection concerns. Higher incomes still might not cover many Venezuelans' unmet service needs, including chronic medical care and psychosocial support, or compensate for the costs of discrimination, such as higher rents or limited access to credit. Moreover, the dominance of the informal sector in Colombia and the possibility of employers' preferring to hire fellow Colombians means many Venezuelans will likely still not obtain formal work. Finally, some may simply not be able to work. For all these individuals, preserving access to humanitarian support is essential. Nevertheless, improving economic inclusion could alleviate many protection concerns and, by promoting greater self-reliance for some Venezuelans, free up more resources to help those who are still in need.

## Benefits to the Private Sector

More fully integrating Venezuelans into the economy will benefit the private sector. It will create opportunities for Venezuelan workers to be more productive, make better use of their skills, and more significantly contribute to their places of work—thereby potentially boosting their efficiency, profits, or mission. Facilitating access to the labor market could allow Venezuelans to fill labor shortages and meet the private sector's demand for workers.

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<sup>119</sup> Foged and Peri, "Immigrants' Effect on Native Workers."

<sup>120</sup> IRC, "Needs Assessment Report: Venezuelan Migrants in Colombia: Expansion," November 6, 2018, <https://www.rescue.org/sites/default/files/document/3302/ircassessment-venezuelansincolombianov2018.pdf>.

<sup>121</sup> Teff and Panayotatos, "Crises Colliding."

<sup>122</sup> Interview with a representative from the international NGO, HIAS Colombia.

<sup>123</sup> Luisa Feline Freier and Bernarda Zubrzycki, "How Do Immigrant Legalization Programs Play Out in Informal Labor Markets? The Case of Senegalese Street Hawkers in Argentina," *Migration Studies* (2019), <https://academic.oup.com/migration/advance-article-abstract/doi/10.1093/migration/mnz044/5640206?redirectedFrom=fulltext>.

Indeed, according to a recent study, there are unmet formal work opportunities in Colombia for which many Venezuelans would be qualified.<sup>124</sup> The study found that hundreds of the several thousand jobs posted on the Colombian government's job search database had received zero applications, especially in the field of finance and administration. Another study that surveyed thousands of employers in Colombia found that positions in manufacturing, skilled trades (such as electricians and mechanics), and management were the hardest to fill.<sup>125</sup> Venezuelans—many of whom have vocational and university degrees—likely could help fill these positions.

In the long run, hiring Venezuelans can support Colombian firms' future business prospects in Venezuela. Although the current crisis in the neighboring oil-rich country may prevent such opportunities in the near term, Venezuelan workers could create connections abroad that help businesses expand in the long term. Firms often focus on such long-term goals. Indeed, according to a representative from the American Chamber of Commerce in Colombia, the opportunity to create connections in Venezuela is an important motivator for companies that want to hire Venezuelans. Evidence suggests that this motivation is well founded: a recent study found that immigrants with experience exporting in a given sector have a large positive impact on exports for that sector in their host countries.<sup>126</sup>

Venezuelans have a number of other skills and traits that could benefit Colombian businesses. For one, many Venezuelans speak English. These language skills can be especially beneficial to firms in the business process outsourcing sector and, more broadly, businesses with global value chains or international exposure.<sup>127</sup> Second, Venezuelans show higher rates of retention than Colombians do in low-skilled positions, such as in the fast food sector.<sup>128</sup> Third, surveys show that Venezuelans are often willing to relocate to work and could thus fill positions for companies throughout the country.<sup>129</sup> A World Bank report indicates that some sectors—including construction, health, and transportation—have already benefited greatly from the arrival of Venezuelan workers and the many advantages they provide.<sup>130</sup>

Businesses also may want to work with displaced people to have a positive social impact. Many Colombian businesses—especially large enterprises—are driven to hire Venezuelans by their commitment to principles of corporate social responsibility. Even if their initial motivation is altruistic, however, these companies may end up benefiting financially. For example, a representative from Sunshine Bouquet, a large flower-exporting company in Colombia, explained to the research team,

*We decided to hire Venezuelans because we saw their need and we felt a responsibility toward helping. At the beginning, we did not have any particular expectations. But after working with Venezuelans we realized the*

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<sup>124</sup> FUPAD, "Estudio sobre las posibilidades."

<sup>125</sup> Manpower Group, "2018 Talent Shortage Survey," <https://go.manpowergroup.com/talent-shortage-2018#hardesttofillroles>.

<sup>126</sup> Dany Bahar, Andreas Hauptmann, Cem Özgüzel, and Hillel Rapoport, "Let Their Knowledge Flow: The Effect of Returning Refugees on Export Performance in the Former Yugoslavia," 2018, [https://www.econstor.eu/bitstream/10419/191396/1/cesifo1\\_wp7371.pdf](https://www.econstor.eu/bitstream/10419/191396/1/cesifo1_wp7371.pdf).

<sup>127</sup> Interview with representatives from WeWork Colombia; interview with a representative from Fundacion Mario Santo Domingo.

<sup>128</sup> Daniel Dreifuss, "Colombia's Private Sector Begins to Open Its Doors to Venezuelans," UNHCR, November 14, 2019, <https://www.unhcr.org/en-us/news/stories/2019/11/5dcb00ab4/colombias-private-sector-begins-open-its-doors-venezuelans.html>.

<sup>129</sup> FUPAD, "Estudio sobre las posibilidades."

<sup>130</sup> World Bank, "Migracion desde Venezuela a Colombia"; interview with a representative from Fundacion Mario Santo Domingo.

*amazing asset they represent. They are highly educated and their learning curve is smaller than that for Colombian workers.*

Similarly, WeWork Colombia, Sierra Nevada, and Teleperformance—companies that have hired many Venezuelans in the past couple of years in Colombia—have expressed similar motives and realized their own gains.<sup>131</sup> Indeed, studies in other contexts, such as Europe, suggest that customers are inclined to purchase from companies that hire, invest in, and work with refugees.<sup>132</sup>

The benefits that economic inclusion brings are more important than ever amid the economic devastation created by the outbreak of COVID-19. The battered private sector will need the potential boost in productivity that Venezuelans offer. High rates of unemployment make it crucial that Venezuelan workers are not restricted to the informal sector, as such restrictions would increase overall job competition.<sup>133</sup> The government, meanwhile, will need higher tax revenues to make up for the large fiscal deficits it faces and to implement social protection schemes that respond to the increasing numbers of people in need in the country.<sup>134</sup> Moreover, the decrease in aggregate demand accompanying the recession could be mitigated by increased spending from Venezuelans if their incomes were higher. With many Venezuelans pushed into greater financial vulnerability, such higher incomes are critical to ensure they have the resources they need to cope.<sup>135</sup> Ultimately, then, improving Venezuelans' economic inclusion would help stimulate the economy and bolster Colombia's recovery from the current global crisis.

## RECOMMENDATIONS: HOW TO ACCELERATE ECONOMIC INCLUSION

The Colombian government and its partners have made substantial progress toward integrating Venezuelans into the Colombian economy. But there is still a long way to go to achieve the full range of benefits discussed above. In this section, we lay out actions that could be taken by the government, donors, international organizations, and NGOs to advance these goals. Given the various plans and recommendations that have already been made, we aim to add value by focusing on actions and policy changes that are *not* already planned or in progress and which our analysis suggests would make an important, positive impact.

### To the Government of Colombia

#### **Maintain an ongoing PEP process for Venezuelans that is not limited by entry date and involves a clear and simplified path toward regularization and guarantees of protection**

Recognizing that access to legal work is fundamental to economic inclusion, the government should extend the right to work to more Venezuelans by maintaining an ongoing PEP registration process that is not limited by entry date or means of entry. That is to say, all Venezuelans should be allowed to apply for the PEP at any time, regardless of when or how they enter Colombia.

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<sup>131</sup> Tent Partnership for Refugees et al., "Guia."

<sup>132</sup> Tülin Erdem, Vishal Singh, Çağdaş Şirin, and Poppy Zhang, "How Helping Refugees Helps Brands: Europe," Tent Partnership for Refugees, June 2019, <https://www.tent.org/resources/helping-refugees-helps-brands-europe/>.

<sup>133</sup> DANE, "Principales indicadores del mercado laboral."

<sup>134</sup> Reuters, "Colombia 2020 Deficit Limit Widened to 4.9% of GDP Due to Coronavirus," April 2020, <https://www.reuters.com/article/health-coronavirus-colombia-economy/colombia-2020-deficit-limit-widened-to-49-of-gdp-due-to-coronavirus-idUSL1N2C5025>.

<sup>135</sup> Graham et al., "The Effect of COVID-19."



A large body of research from a variety of contexts shows that expanding regularization and the right to work consistently leads to improved labor market outcomes and reduced protection risks for migrants and refugees.<sup>136</sup> Furthermore, a simple and predictable regularization process that clearly establishes Venezuelans' right to work would be especially beneficial to the private sector. Companies want to be able to hire skilled workers but cannot do so if those individuals do not have the formal right to work. A simplified process would, therefore, help reduce the uncertainty and confusion around hiring Venezuelans that the private sector faces. This, in turn, would help lower costs related to hiring Venezuelans, such as training human resources staff and updating procedures to accommodate Venezuelan employees. Granting more permits can also reduce employers' risk of accidentally hiring workers who lack documentation. This may make employers more inclined to hire Venezuelans, thereby improving economic inclusion for both new and existing PEP holders.

It is worth emphasizing that regularization and access to work permits are not sufficient factors for achieving economic inclusion. In fact, recent research found that the provision of PEP permits had only a minor impact on formal employment and no observable impact on wages over a 14-month time horizon.<sup>137</sup> However, when paired with efforts to lower other barriers to economic inclusion, greater regularization may play a much more important role in improving economic outcomes for Venezuelans. It also is possible that regularization alone may have a larger impact over a longer time horizon, as it takes time for workers to find new employment opportunities and upgrade to formal work. Furthermore, it must be kept in mind that there are many benefits associated with regularization aside from formal labor market access, such as a sense of security. Thus, although regularization is not sufficient for economic inclusion, it is still a crucial element and a foundation for progress. Without it, there is a ceiling on the extent of economic inclusion that Venezuelans can achieve.

The government has already made significant efforts to regularize Venezuelans and grant them access to labor markets, doing more than any other country in the region to include Venezuelans in its economy. By rolling out new rounds of the PEP over time; renewing PEPs that are close to expiration; and most recently, creating the PEPFF, it has extended these rights to hundreds of thousands of Venezuelans. Nonetheless, the current approach has several shortcomings that should be addressed.

First, for most rounds of PEP provision, only Venezuelans who had been in the country for several months prior to the announcement of each round were eligible to apply.<sup>138</sup> Furthermore, there have been long gaps—sometimes more than a year—between rounds of the PEP. This means there have been long stretches of time when Venezuelans had virtually no channels to access legal work or regular status and its associated protections.

These delays in regularization and work rights have serious implications for labor market outcomes for Venezuelans. They prevent Venezuelans from being able to reap the economic benefits and protections that regularization affords. There is evidence that delaying refugees' or asylum seekers' access to labor markets can cause them to have lower employment rates and incomes even after they

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<sup>136</sup> Clemens et al., "The Economic and Fiscal Effects."

<sup>137</sup> Dany Bahar, Ana Maria Ibanez, and Sandra V. Roza, "Give Me Your Tired and Your Poor: Impact of a Large-scale Amnesty Program for Undocumented Refugees," IZA Discussion Paper, September 2020, <http://ftp.iza.org/dp13743.pdf>.

<sup>138</sup> An exception is the *Registro Administrativo de Migrantes Venezolanos* (RAMV) process, which occurred from April to June 2018 and invited all Venezuelans—regardless of when or how they entered the country—to register with the government. Following registration, the government revealed that all those who registered could obtain the PEP permit. However, the two PEP rounds following the RAMV have been different, allowing for granting of permits only to those who entered the country with a stamped passport prior to the announcement of the new PEP round.

have received the right to work.<sup>139</sup> This is because individuals who are barred from the labor market for an extended period of time often have difficulty reintegrating. In turn, the broader benefits they create by participating in the labor market are stunted.

The wait may be especially detrimental for highly educated Venezuelans. Because these individuals are more likely to maximize their earning potential in the formal labor market, delays in accessing the PEP may largely explain the especially large gaps in economic inclusion that they experience (see Figures 4 and 5). From January through October 2019, an estimated 104,923 Venezuelans with university or vocational degrees entered Colombia; because PEPs were not available during this time, they were unable to utilize their skills in formal jobs.<sup>140</sup>

Another problem with the current approach to regularization is that only Venezuelans who entered Colombia through official border crossings and had their passports stamped have been eligible to apply for most rounds of the PEP.<sup>141</sup> This excludes the more than 1 million Venezuelans who, lacking the necessary documentation, have entered the country through irregular routes. These individuals are left with few or no channels to formal labor market access and regularization. Yet the danger and desperation that compelled them to flee Venezuela despite the risks involved underscore that they are among those most in need of international protection and opportunity. Without regular status, they continue to struggle with insecurity and cannot maximize their potential in the economy.

The PEPFF addresses some of these problems. By allowing any undocumented Venezuelan in Colombia to legally stay and work in the country if they receive a formal work contract, it creates a path to regularization and formal labor market access that was not previously available.

However, the PEPFF has several drawbacks. First, it applies only to individuals with work contracts and does not extend any benefits to their family members. This means that those who do not participate in the workforce—including children and others who are unable to work—remain without a path to regularization. Second, the PEPFF is valid only as long as a worker stays with their employer and for a total of just four years. This creates conditions for potential exploitation, as PEPFF holders might not leave bad or abusive work situations for fear of losing their documentation. Third, the PEPFF is not available to those who work informally, denying them access to the important protection benefits that regularization brings. Fourth, by creating an extra step to hiring Venezuelans, the PEPFF may deter employers from hiring although they otherwise would be interested. Finally, it may be hard for employers to learn about the PEPFF. Indeed, although the PEP was introduced years ago, many employers are still unfamiliar with the permit and lack information about if and how they can hire Venezuelans.<sup>142</sup> Initial evidence suggests the problem may be worse for the PEPFF. From the time it went into effect, on February 5, 2020, to July 7, 2020, only 1,294 PEPFFs were issued—a small number compared to the more than 1 million Venezuelans without the formal right to work, even considering the pause in PEPFF processing from March through late June.<sup>143</sup> Altogether, these shortcomings might significantly limit the initiative's reach and, in turn, its impact on economic inclusion.

Thus, while the current approach to regularization has enabled major progress toward economic inclusion, it still falls short. To overcome the problems identified, the Colombian government should

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<sup>139</sup> Marbach et al., “The Long-term Impact of Employment Bans.”

<sup>140</sup> Authors' calculations using the data described in Appendix A.

<sup>141</sup> Again, the exception was the RAMV process.

<sup>142</sup> FUPAD, “Estudio sobre las posibilidades.”

<sup>143</sup> Migracion Colombia, “Permiso Especial de Permanencia.”

maintain an open, rolling PEP registration for all Venezuelans. This would minimize delays in labor market access, reduce confusion among employers, allow all workers and their families to benefit from regularization, and ultimately maximize benefits for the Colombian economy.

### **Ensure the proper and timely implementation of the Income Generation Strategy**

The benefits of greater Venezuelan economic inclusion can be achieved only if the existing practical and legal barriers to formal labor market access are addressed. It is important to acknowledge and commend the work of the Colombian government to identify those barriers and establish a road map to address them in the Income Generation Strategy. It is, therefore, essential that the government continue with the timely and adequate rollout of this strategy.

As COVID-19 affects the Colombian economy and generates new challenges and priorities, the government should not halt or delay implementation of the Income Generation Strategy. Doing so would be counterproductive to ensuring that Colombia can harness the benefits of Venezuelans' valuable contributions. In fact, now more than ever, greater attention and priority should be given to addressing the main obstacles to Venezuelan economic inclusion identified in the Income Generation Strategy.

### **To Donors**

#### **Increase funding for the response in Colombia—especially for efforts that improve economic inclusion and involve Colombian host communities**

The international response to Venezuelan displacement has consistently been severely underfunded. In 2019, only 52 percent of the RMRP for the overall Venezuela response was funded—and the initial appeal for 2020 was nearly double its size.<sup>144</sup> In May 2020, the R4V Platform issued a revised RMRP 2020 to reflect the increased level of need resulting from the COVID-19 pandemic. Total funding requirements for the region increased from \$1.35 billion to \$1.41 billion, of which \$438.81 million is required specifically for the COVID-19 response.<sup>145</sup> However, as of October 2020, the regional response was just 30 percent funded.<sup>146</sup>

In the case of Colombia, only 61.4 percent of the total \$315.5 million required was funded in the 2019 RMRP appeal.<sup>147</sup> As of September 2020, only 16 percent of the \$782.3 million required has been funded.<sup>148</sup> Moreover, many believe that even the amount requested is much less than what is actually needed for the response.<sup>149</sup> The impossibility of predicting the pandemic's trajectory and the full extent of its toll add to this uncertainty. To address these shortcomings, donors should at least fully fund the revised RMRP for Venezuela for 2020.

At the same time, multilateral development banks like the Inter-American Development Bank (IDB) and the World Bank should continue to offer grants and concessional lending to support the Colombian government and priority investments. Last year, the IDB committed to mobilizing \$100

<sup>144</sup> Financial Tracking Service, "Regional Refugee and Migrant Response Plan (for Refugees and Migrants from Venezuela)," accessed February 3, 2020, <https://fts.unocha.org/appeals/726/summary>; R4V Coordination Platform.

<sup>145</sup> R4V Coordination Platform, "RMRP 2020—Review."

<sup>146</sup> R4V Coordination Platform.

<sup>147</sup> R4V, "Regional Refugee and Migrant Response Plan—Venezuela Situation Funding Update (31 December 2019)," December 2019, <https://data2.unhcr.org/en/documents/download/73413>.

<sup>148</sup> R4V Coordination Platform: Colombia.

<sup>149</sup> OEA, "Informe del Grupo de Trabajo de la OEA para abordar la crisis de migrantes y refugiados venezolanos en la región," June 2019, [https://reliefweb.int/sites/reliefweb.int/files/resources/OEA-informe-migrantes-venezolanos-espanol\\_0.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/OEA-informe-migrantes-venezolanos-espanol_0.pdf) <https://www.refugeesinternational.org/reports/2020/5/21/searching-for-home-how-covid-19-threatens-progress-for-venezuelan-integration-in-colombia>.

million in concessional lending by 2020 for countries affected by Venezuelan migration.<sup>150</sup> It should honor and build on these commitments, with a focus on countries like Colombia that continue to make policy progress. Likewise, the World Bank should build on the disbursements it has made through the Global Concessional Financing Facility and continue to leverage the \$750 million Fiscal Sustainability, Competitiveness, and Migration Development Policy Financing Program.

Donors and multilateral development banks should make a particular commitment to financing efforts that improve economic inclusion, including the approaches recommended in this paper, outlined in the government's Income Generation Strategy, and identified in the RMRP. Doing so is key to meeting the needs and goals of displaced Venezuelans, the Colombian government, host communities, and donors. Other aspects of the response are of course important and should not go underfunded, but more funding to support economic inclusion is crucial to meeting these core goals.

It is important to emphasize that members of host communities must continue to be included in initiatives to promote economic inclusion. Their integration is important for several reasons. First, benefiting both populations—rather than appearing to favor the foreign population—can prevent social tensions from rising. Second, we have shown that despite the overall positive labor market effects created by Venezuelans' inclusion, some Colombians may be negatively affected. These individuals should receive support to adjust accordingly. For example, providing skills training for workers displaced from their jobs can help them transition into new, possibly higher-paying positions. Third, certain groups within the Colombian population face their own economic disadvantages and could benefit from additional support. For example, our data indicate that returnees face large barriers to economic integration. IDPs also face challenges that prevent them from realizing their potential in the labor force.<sup>151</sup> To support them, policymakers and implementers could adapt programs that have been created in the past to support IDPs' economic inclusion. In doing so, new efforts could build on lessons learned from years of experience to maximize their effectiveness in supporting Colombian as well as Venezuelan displaced populations.<sup>152</sup>

Additional funding for economic inclusion should be channeled through the government at a higher rate. Various estimates put the government's short-term fiscal cost of responding to the inflow of Venezuelans at 0.4 percent of GDP per year.<sup>153</sup> In terms of GDP for 2018, this would equate to about \$13.2 billion. As noted above, increased tax revenues from Venezuelans could offset these costs in the medium to long run. But given short-term net fiscal costs, if donors do not step up to support the government, it may be more difficult for the country to maintain an open and productive stance toward Venezuelans and economic inclusion.<sup>154</sup>

There are clear ways for the international community to support the government in its efforts to increase Venezuelans' economic inclusion. In a document outlining ways for the partners to support the 10 priorities of the Income Generation Strategy, the government emphasizes that offsetting the

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<sup>150</sup> IDB, "IDB Approves Grant Funds for Countries Receiving Migrants in Latin America and Caribbean," May 2019, <https://www.iadb.org/en/news/idb-approves-grant-funds-countries-receiving-migrants-latin-america-and-caribbean>.

<sup>151</sup> IDMC, "Colombia: Tackling Protracted Displacement."

<sup>152</sup> For examples of IDP economic inclusion programs and lessons learned, see Elizabeth Ferris, "Changing Times: The International Response to Internal Displacement in Colombia," Brookings, 2014, <https://www.brookings.edu/wp-content/uploads/2016/06/Changing-Times-the-Intl-Response-to-Internal-Displacement-in-Colombia-December-2014.pdf>; Amparo Diaz, "In Colombia, Moving from Tragedy to Development," UNDP, <https://www.undp.org/content/undp/en/home/ourwork/ourstories/in-colombia--moving-from-tragedy-to-development.html>.

<sup>153</sup> OECD, "OECD Policy Note on the Venezuelan Migration Shock in Colombia and Its Fiscal Implications," <https://www.oecd.org/economy/surveys/Colombia-migration-shock-note-english-2019.pdf>.

<sup>154</sup> OEA, "Informe del Grupo de Trabajo de la OEA."

costs of including Venezuelans in their respective services will require funding for the national public employment agency (*Servicio Público de Empleo*), the vocational training service (*Servicio Nacional de Aprendizaje*), and the Ministry of Labor.<sup>155</sup> Funding and support to these operations could both maintain the sustainability of the government response and improve its effectiveness.

Furthermore, increasing direct government support could help maintain the government's commitment to, and ability to, implement the PEP process. Administering hundreds of thousands of PEP permits on an ongoing basis is an expensive process that requires substantial human and financial resources. Contributing resources to this process could help improve efficiency and encourage continued implementation.

### **Pursue a compact-like approach to better support the Colombian government and encourage the expansion of regularization and the right to work**

To achieve increases in funding while incentivizing and enabling the government's PEP expansion, donors could implement a compact-like approach similar to those adopted in other refugee-hosting countries. Under these agreements, host governments commit to making positive policy changes in exchange for increased funding or other incentives from donors. In other contexts, compacts have been used to facilitate the process of expanding refugees' right to work. For example, in 2016, the Jordan Compact created an agreement by which donors provided \$1.8 billion in financing and trade concessions and the Jordanian government committed to expanding access to labor markets for refugees. The financing included grants and concessional loans to support a wide range of needs, including infrastructure projects, budget support, and aid projects implemented by various entities including NGOs, UN agencies, and the public sector.<sup>156</sup> A similar approach is currently being pursued in Ethiopia to create tens of thousands of jobs and expand work rights for refugees.

It could be argued that in essence, an implicit compact has already been arranged with Colombia—the Colombian government has maintained progressive policies and the international community has maintained steady support, including through grants and concessional financing. But donors have fallen dramatically short in funding the response in Colombia, and the government's policies still have significant room for improvement.

A compact approach in Colombia could be mutually reinforcing. By directly relating the level of funding provided to the number of permits issued or other key outcomes, the Colombian government would have a strong incentive to adopt policies that advance those outcomes, such as making PEP more accessible to more Venezuelans. Donors, meanwhile—assured that their assistance will be used to promote Venezuelans' well-being—would have a clear interest in making larger contributions. Given the Colombian government's significant financing needs and international donors' interest in preserving regional stability, it is realistic to expect that all parties would be willing to engage in such an agreement. To increase Colombia's willingness to engage, international actors could provide additional incentives related to trade, investment, or other migration outcomes.<sup>157</sup>

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<sup>155</sup> Colombian Government, "Articulación de los esfuerzos de la cooperación con la Estrategia del Gobierno de generación de ingresos."

<sup>156</sup> Cindy Huang, Sarah Charles, Lauren Post, and Kate Gough, "Tackling the Realities of Protracted Displacement: Case Studies on What's Working and Where We Can Do Better," Center for Global Development and the IRC, April 2018, <https://www.cgdev.org/sites/default/files/tackling-realities-protracted-displacement-case-studies-whats-working.pdf>; Jordan Response Plan and the United Nations, "Jordan Response Plan for the Syria Crisis: 2016–2018," [https://reliefweb.int/sites/reliefweb.int/files/resources/JRP16\\_18\\_Document-final-draft.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/JRP16_18_Document-final-draft.pdf).

<sup>157</sup> Cindy Huang and Nazanin Ash, "Refugee Compacts: Addressing the Crisis of Protracted Displacement," Center for Global Development and IRC, <https://www.cgdev.org/sites/default/files/Refugee-Compacts-Report.pdf>.



Past CGD research on compacts suggests that aligning incentives with goals is key to success.<sup>158</sup> Thus, one way that such a compact could work in practice is to link it to an ongoing PEP registration process, as recommended above. Prior to implementing the process, international donors could commit to disbursing a certain amount of money for every PEP permit provided.

Alternatively, funding could be linked to outcomes besides the right to work. Lessons from the Jordan Compact suggest that funding should be contingent upon lowering key barriers to progress on goals.<sup>159</sup> In the Colombian context, the government, UN agencies, and civil society actors have already identified many such barriers. A multi-stakeholder consultation could be conducted to identify which are the primary ones to be targeted. Funding could be linked to actual outcomes, such as increases in the average labor income for Venezuelans, greater financial inclusion, or other outcomes potentially identified by Venezuelans themselves. Certainly, this approach has both advantages and disadvantages. On the one hand, it maximizes incentives for success; on the other hand, it has high implementation costs. It also could delay critical funding disbursements if those are contingent upon achieving results that take time to materialize. Ultimately, the choice of outcome measurements will depend on the stakeholders' priorities.

In terms of distribution, some of the funding could be given directly to the Colombian government to help it shoulder the financial cost of hosting displaced Venezuelans. Some funding could go directly to local governments with the least capacity to accommodate the population of Venezuelans they host. Injecting funding to meet local financing needs could reduce any sense of competition for resources among host communities and create buy-in at the local level for a regularization process.<sup>160</sup> Alternatively, donors could commit money to investments or interventions that would be implemented not by the government itself but through pooled funds or independent (though coordinated) implementation, disbursed largely through NGOs. Or as was done with the Jordan Compact, funding could be allocated through a mix of these various modalities.

## Joint Recommendations to the Government, International Organizations, and NGOs

### Prioritize support for women's economic inclusion

As they dedicate more resources to improving economic inclusion, donors should give greater attention to supporting women, specifically. Figure 3 shows that Venezuelan women are earning far less than both Venezuelan men and Colombian women and that Colombian women are earning much less than Colombian men. Moreover, the pandemic's economic impact has disproportionately affected women.

To address the gaps, initiatives promoting economic inclusion should be tailored to meet Venezuelan women's unique needs. Despite the fact that many Venezuelan women (47 percent) are employed, they typically also are responsible for caring for children and for domestic work.<sup>161</sup> Women (including those in host communities) face additional obstacles to employment, including a higher risk of gender-based violence, sexual exploitation, and harassment. In particular, as former reporting by Refugees International indicates, Venezuelan women are more susceptible to being targeted by human traffickers and most at risk when they have limited access to jobs.<sup>162</sup> Therefore, catering

<sup>158</sup> Huang and Ash, "Refugee Compacts."

<sup>159</sup> Huang and Ash, "Refugee Compacts."

<sup>160</sup> OECD, "Financing for Refugee Situations," December 16, 2019, [https://www.oecd-ilibrary.org/development/financing-refugee-situations\\_02d6b022-en;jsessionid=BivbJhn3kaxNQ-X-DM8AWjc\\_ip-10-240-5-70](https://www.oecd-ilibrary.org/development/financing-refugee-situations_02d6b022-en;jsessionid=BivbJhn3kaxNQ-X-DM8AWjc_ip-10-240-5-70).

<sup>161</sup> Authors' calculations using the data described in Appendix A.

<sup>162</sup> Teff and Panayotatos, "Crises Colliding."

programs and policies to confront these and other challenges is paramount to improving both Venezuelan and Colombian women's economic inclusion and well-being.

Encouragingly, the 2020 RMRP emphasizes the need to integrate gender considerations in all phases of all sectors of the response. The government's Income Generation Strategy also makes several concrete recommendations for addressing women's distinct challenges. For example, it urges that at least 50 percent of beneficiaries of labor market programs be women and calls for establishing centers specifically designed to support women's labor market inclusion.

The strategy calls for support to expand the country's existing childcare infrastructure, as lack of access to childcare is often a key barrier to both Venezuelan and Colombian women's labor market inclusion. The Colombian government already allows foreigners to access the services provided by the Colombian Institute of Family Welfare (*Instituto Colombiano de Bienestar Familiar*), which provides childcare for families with children up to five years old. However, a lack of capacity often precludes access for Venezuelans.<sup>163</sup>

To address these challenges, the government should clarify regulations to service providers to ensure that eligible Venezuelan families are able to gain access to childcare. Donors, meanwhile, should increase funding to directly bolster the government's capacity to deliver child services and spread information about Venezuelans' right to access them. Support to NGOs focused on early childhood development and education can complement government efforts.

### Facilitate the process of credential and skill verification

The validation of skills and credentials is perhaps the second most fundamental aspect (after the provision of work rights) of economic inclusion. Individuals may have the right to work, but without documentation recognizing their qualifications, they may be unable to fulfill their potential in the labor force.

The significant amount of potential forgone as a result of highly educated Venezuelans' underemployment underscores the need to improve the verification process. To close the gap between their potential and actual economic outcomes seen in Figures 10 and 11, those with technical or university degrees should be able to easily verify their credentials. This is also true for Colombian returnees, who experience similar difficulties.

The government should carry out the potential solutions it has already identified in its Income Generation Strategy. However, it is important to acknowledge that certain industry leaders may want to avoid increased job competition and thus resist measures to facilitate the process of credential recognition. They also may have valid concerns about simplifying any tests or other procedures required to thoroughly validate an applicant's abilities. The Colombian government's recent attempt to facilitate credential recognition for Venezuelan medical professionals demonstrates the obstacles to achieving progress. On March 24, 2020, in an attempt to strengthen the country's pandemic response, President Duque announced that the government would work to expedite medical professionals' credential verification. But due to a strong backlash from the medical community, the policy was retracted within 24 hours.<sup>164</sup>

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<sup>163</sup> Gobierno de Colombia, "Estrategia de generación de ingresos."

<sup>164</sup> Daphne Panayotatos and Rachel Schmidtke, "Searching for Home: How COVID-19 Threatens Progress for Venezuelan Integration in Colombia," Refugees International, May 26, 2020,



Considering these political obstacles, the government should focus on actions that are less likely to be challenged. For example, it could increase the financial and human resources of government agencies directly responsible for certification, such as its *Servicio Nacional de Aprendizaje* (SENA), which offers programs that allow individuals to enroll in courses to certify their abilities. Importantly, donors should support this effort by providing additional resources.

In addition to focusing efforts on these more feasible short-term improvements, the government of Colombia still should look toward more structural, difficult-to-enact reforms. A recent policy paper by the Migration Policy Institute suggests some possibilities.<sup>165</sup> For example, the government could consider decentralizing its credential recognition system—a step Uruguay recently took to accommodate the arrival of Venezuelans—to improve the efficiency of the recognition process. Such improvements would be particularly helpful for those who need to certify more advanced, university degrees.

The Colombian government could seek the support of the International Labor Organization (ILO) to convene discussions within the GIFMM framework with different stakeholders to find solutions to the topic. This can be done through the tripartite mechanism of the ILO that convenes the private sector, employer and worker organizations, and the government. In particular, the ILO should aim at convening the most relevant industry worker and employer unions as well as “professional colleges”—which are groups of professionals in a certain field whose job is to ensure that individuals entering the field are in fact qualified to exercise that profession. In doing so, they can promote dialogue and work toward solutions to the issue of credential verification for Venezuelans.

### **Diversify approaches to combating xenophobia**

Fostering positive public perceptions of Venezuelans is key to achieving economic inclusion. Without public support from the host population, it will be difficult for the government to sustain a generous response to Venezuelans’ needs.<sup>166</sup> However, discrimination is a serious and growing challenge for Venezuelans—including in the workplace—that can impede their economic inclusion.<sup>167</sup> Times of national crisis have been shown to exacerbate antirefugee and antimigrant sentiment, making the pandemic and resulting recession particularly concerning.<sup>168</sup> Indeed, Colombian authorities and UN agencies have warned that rising levels of xenophobia and discrimination against Venezuelans are major causes for alarm.<sup>169</sup>

Programs are already being implemented to tackle the problem of xenophobia and discrimination. Since 2017, a partnership of stakeholders has been implementing *Somos Panas*, a portfolio of interventions designed to reduce xenophobia toward Venezuelans in Colombia. In late August 2020, the R4V Platform launched a new regional campaign—“One Step Closer”—to promote “empathy,

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<https://www.refugeesinternational.org/reports/2020/5/21/searching-for-home-how-covid-19-threatens-progress-for-venezuelan-integration-in-colombia>.

<sup>165</sup> Andrew Selee and Jessica Bolter, “An Uneven Welcome: Latin American and Caribbean Responses to Venezuelan and Nicaraguan Migration,” MPI, February 2020, <https://reliefweb.int/report/colombia/uneven-welcome-latin-american-and-caribbean-responses-venezuelan-and-nicaraguan>.

<sup>166</sup> OEA, “Informe del Grupo de Trabajo de la OEA.”

<sup>167</sup> Proyecto Migración Venezuela, “Percepción de la integración de los migrantes venezolanos en Colombia”; Proyecto Migración Venezuela, “Percepción de la integración de los migrantes en Colombia en tiempos de coronavirus.”

<sup>168</sup> Joachim Vogt Isaksen, “The impact of the financial crisis on European attitudes toward immigration,” *Comparative Migration Studies* 7, no. 24 (June 2019), <https://comparativemigrationstudies.springeropen.com/articles/10.1186/s40878-019-0127-5>

<sup>169</sup> UNHCR and IOM, “Refugees and Migrants from Venezuela during COVID-19 crisis: as needs soar more inclusive measures and aid are essential,” April 1, 2020, <https://www.unhcr.org/news/press/2020/4/5e844e354/refugees-migrants-venezuela-during-covid-19-crisis-needs-soar-inclusive.html>.

solidarity, and tolerance to refugees and migrants.”<sup>170</sup> Most of the programs rely on messaging to reduce prejudice and discrimination, which research has shown to have mixed effectiveness.<sup>171</sup> Studies suggest that it can be particularly difficult to change individuals’ perceptions on highly salient, polarizing topics like immigration and forced displacement.<sup>172</sup> In fact, messaging campaigns have backfired in some contexts and made perceptions worse.<sup>173</sup>

This is not to say that messaging campaigns should be abandoned. If designed well, they can have an important impact. For that reason, these programs should be evaluated to verify positive impact. Moreover, the current approaches should be diversified.

One alternative approach is to apply contact theory. Contact theory asserts that prejudice between groups can be reduced by interpersonal contact—as long as the contact involves equal status between the groups, cooperation in pursuit of common goals, and support from the authorities.<sup>174</sup> While it is not an infallible approach, a number of rigorous studies show that it is an especially promising means to reduce prejudice.<sup>175</sup>

One way to apply contact theory in Colombia is to implement public works programs that involve both Colombians and Venezuelans. The United Nations Development Programme, in partnership with the government and other stakeholders, is already implementing such a program, called *Banco Amable*, though it does not have the explicit goal of reducing prejudice. Rather, its focus is on improving economic inclusion while implementing community development projects. Nonetheless, it is likely improving relations between Venezuelans and their hosts. An active program in Norte de Santander demonstrates another application of contact theory. There, the “5ta con 5ta Crew,” a group of musicians and artists, promotes peace, youth empowerment, and community development by bringing young Colombians—including IDPs and returnees—and Venezuelans together to create art, take classes in rap and breakdance, discuss life on the border, and learn about rights. One member of the group explained to an RI team that fostering creativity and the use of imagination through healthy outlets helps break down identity barriers and strengthens social bonds.<sup>176</sup> Evaluations should be carried out to confirm the impact of such programs and potentially scale them up.

Contact theory also could be applied through job subsidies. That is, donors could subsidize wages for companies that hire both Venezuelans and Colombians who were previously unemployed. This would directly improve economic inclusion and could increase the rate at which Colombians and Venezuelans experience productive interpersonal contact. Although research has generally found job subsidies to be an ineffective means to improve labor market outcomes in the medium term (i.e., after the subsidies expire), it is possible that outcomes would be different for Venezuelans (or migrants or

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<sup>170</sup> UNICEF, “R4V Launches One Step Closer,” August 24, 2020, <https://www.unicef.org/lac/en/press-releases/r4v-launches-one-step-closer>.

<sup>171</sup> Elizabeth Levy Paluck and Donald P. Green, “Prejudice Reduction: What Works? A Review and Assessment of Research and Practice,” *Annual Review of Psychology* 60 (2009): 339–67, <https://www.annualreviews.org/doi/abs/10.1146/annurev.psych.60.110707.163607>.

<sup>172</sup> Jennifer Jerit and Jason Barabas, “Partisan Perceptual Bias and the Information Environment,” *Journal of Politics* 74, no. 3 (2012): 672–84, <https://www.journals.uchicago.edu/doi/abs/10.1017/S0022381612000187>.

<sup>173</sup> Brendan Nyhan and Jason Reifler, “When Corrections Fail: The Persistence of Political Misperceptions,” *Political Behavior* 32, no. 2 (2010): 303–30, <https://link.springer.com/article/10.1007/s11109-010-9112-2>.

<sup>174</sup> Gordon Allport, *The Nature of Prejudice* (Basic Books, 1954).

<sup>175</sup> Elizabeth Levy Paluck, Seth A. Green, and Donald P. Green, “The Contact Hypothesis Re-evaluated,” *Behavioural Public Policy* 3, no. 2 (2019): 129–58, <https://www.cambridge.org/core/journals/behavioural-public-policy/article/contact-hypothesis-reevaluated/142C913E7FA9E121277B29E994124EC5>.

<sup>176</sup> Interview with a representative from the 5ta con 5ta Crew.

refugees in general).<sup>177</sup> This is because subsidies could incentivize hiring Venezuelans among employers who otherwise might not have done so. After they have employed Venezuelans once, the barriers to hiring may be lowered.

There are, of course, other potential programmatic approaches to reducing prejudice. For example, perspective-taking exercises encourage individuals to empathize with and take the perspective of refugees. Various studies have shown that this approach can be an effective way to improve perceptions and reduce discrimination.<sup>178</sup> In practice, such exercises could be applied in an educational setting. Recent evidence from Turkey shows that implementing perspective-taking exercises in a classroom setting can reduce prejudice toward refugees.<sup>179</sup> These and other approaches that have proven effective should be adapted to the Colombian context.

However, while they are capable of making a difference with their target groups, contact theory activities and messaging campaigns may not have sufficient reach to widely affect public opinion. Ultimately, it may be up to high-level political figures and other leaders to help change peoples' minds or at least encourage positive attitudes and actions. A number of recent studies have shown that the positions of party elites strongly influence those of same-party citizens.<sup>180</sup> Thus, one of the most powerful ways to create more positive public opinion may be for the Colombian government to maintain its positive stance toward Venezuelans and to be even more vocal about the benefits Venezuelans bring to society.

#### **Provide workers with the means to move to areas within Colombia that have more labor market opportunities, if they choose**

Because many Venezuelans are concentrated in communities where there are fewer job opportunities and, thus, higher rates of unemployment, policymakers should increase efforts to promote job creation in these areas. Doing so would benefit Colombians and Venezuelans alike, accelerating the economic inclusion of Venezuelans while mitigating the economic challenges that Colombians face. However, although job creation should be a priority, understanding the best ways to achieve it requires analysis that is outside the scope of this paper.

As a complement to job creation in these regions, the government—with the support of UNHCR, IOM, and civil society—should facilitate the ability of displaced Venezuelans and Colombians who have been unable to find work to move to areas elsewhere in Colombia that have more labor market opportunities, if they are interested in doing so. For example, the government could provide monetary support to cover the cost of transportation. Similarly, UNHCR and IOM could help arrange relocation flights and provide short-term support for beneficiaries to find and pay for accommodations in their

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<sup>177</sup> David McKenzie, “How Effective Are Active Labor Market Policies in Developing Countries: A Review of the Evidence,” World Bank, March 2017, <http://documents.worldbank.org/curated/en/256001490191438119/pdf/WPS8011.pdf>.

<sup>178</sup> Paluck and Green, “Prejudice Reduction”; Claire L. Adida, Adeline Lo, and Melina R. Platas, “Perspective Taking Can Promote Short-term Inclusionary Behavior toward Syrian Refugees,” *PNAS* 115, no. 38 (2018): 9521–26, <https://www.pnas.org/content/115/38/9521>.

<sup>179</sup> Sule Alan, Ceren Baysan, Mert Gumren, and Elif Kubilay, “Building Inter-ethnic Cohesion in Schools: An Intervention on Perspective Taking,” HCEO working paper, January 2020, [http://humcap.uchicago.edu/RePEc/hka/wpaper/Alan\\_Baysan\\_Gumren\\_Kubilay\\_2020\\_building\\_inter-ethnic\\_cohesion-schools.pdf](http://humcap.uchicago.edu/RePEc/hka/wpaper/Alan_Baysan_Gumren_Kubilay_2020_building_inter-ethnic_cohesion-schools.pdf).

<sup>180</sup> Toby Bolsen, James N. Druckman, and Fay Lomax Cook, “The Influence of Partisan-Motivated Reasoning on Public Opinion,” *Political Behavior* 36, no. 2 (2014), 235–62, <https://link.springer.com/article/10.1007/s11109-013-9238-0>; James N. Druckman, Erik Peterson, and Rune Slothuus, “How Elite Partisan Polarization Affects Public Opinion Formation,” *American Political Science Review* 107, no. 1 (2013), 57–79, <https://www.cambridge.org/core/journals/american-political-science-review/article/how-elite-partisan-polarization-affects-public-opinion-formation/6CB23BCFBFB4EA3879D91232CEEA59>.

new locations—as they did for Brazil’s “interiorization program.”<sup>181</sup> The agencies and NGOs also could provide information about job opportunities in different areas of the country. Certainly, not all displaced Venezuelans will want to move from their present locations, even if they have struggled to secure work. They may have social networks or family ties in the area or other reasons for remaining where they are. These individuals would, of course, not have to participate in such a relocation program, which would be entirely voluntary for all. However, others may be in their present locations because they do not have the means to relocate and establish themselves in another city. For these individuals, support in moving to other areas may help them overcome the barriers they face to economic inclusion.

Helping individuals move to and settle in areas with stronger labor markets would have several positive outcomes. First, our analysis showed that Venezuelans could better integrate into the labor market and earn higher incomes if they were in areas with more labor market opportunities. Second, movement away from regions hosting large per capita numbers of Venezuelans could mitigate any negative labor market effects that may have occurred as a result of Venezuelans’ integrating into those local economies. Third, movement could reduce the strain on service systems that major host communities are experiencing. Areas hosting relatively few Venezuelans do not face this added pressure and may be able to accommodate a larger population.<sup>182</sup>

Facilitating movement for Venezuelans within Colombia has precedent. It is already included in the government’s Income Generation Strategy and has been discussed in a recent Brookings research paper.<sup>183</sup> Elsewhere in the region, Brazil has had success with its interiorization program, which supports the voluntary relocation of Venezuelans within the country.<sup>184</sup> Studies in other contexts have shown that incentivizing relocation can lead to large gains for displaced populations and their host communities.<sup>185</sup> Important to note, surveys show that Venezuelans in Colombia have expressed a high willingness to relocate for work.<sup>186</sup> As in Brazil, the process in Colombia could be run by the government in partnership with UNHCR and IOM.<sup>187</sup>

To understand the best ways to facilitate movement toward labor market opportunities in Colombia, policymakers should pilot and rigorously evaluate various approaches. The best approach to evaluating would be to use a randomized controlled trial, whereby various interventions would be randomly assigned to Venezuelans and Colombians interested in moving, after which, outcomes would be evaluated for each group. For example, one group could simply receive transportation subsidies to overcome the prohibitive costs of moving and basic information about possible areas to relocate to based on the prevalence of job opportunities. A second group could receive subsidies and information as well as assistance to find work in areas with promising job opportunities. Finally, a third group could receive subsidies and information, job search support, and assistance to resettle in

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<sup>181</sup> Jenny Barchfield, “Relocation Gives Venezuelans a New Lease on Life in Brazil,” December 27, 2020, <https://www.unhcr.org/en-us/news/stories/2019/12/5e0108964/relocation-flights-give-venezuelans-new-lease-life-brazil.html>; IOM, “IOM Begins Relocating Venezuelans from Manaus to Other Cities in Brazil,” December 20, 2019, <https://www.iom.int/news/iom-begins-relocating-venezuelans-manaus-other-cities-brazil>.

<sup>182</sup> Bahar et al., “Integrating Venezuelans into the Colombian Labor Market.”

<sup>183</sup> Gobierno de Colombia, “Estrategia de generación de ingresos”; Bahar et al., “Integrating Venezuelans into the Colombian Labor Market.”

<sup>184</sup> Jenny Barchfield, “Relocation Flights Give Venezuelans a New Lease on Life in Brazil,” UNHCR, December 2019, <https://www.unhcr.org/news/stories/2019/12/5e0108964/relocation-flights-give-venezuelans-new-lease-life-brazil.html>.

<sup>185</sup> Gharad Bryan, Shyamal Chowdhury, and Ahmed Mushfiq Mobarak, “Underinvestment in Profitable Technology: The Case of Seasonal Migration in Bangladesh,” *Econometrica* 82, no. 5 (2014): 1671–1748, <https://onlinelibrary.wiley.com/doi/abs/10.3982/ECTA10489>.

<sup>186</sup> FUPAD, “Estudio sobre las posibilidades.”

<sup>187</sup> Barchfield, “Relocation Flights.”

a new area (including, perhaps, support in finding a place to live or a temporary rental subsidy). Randomizing approaches in this way would allow policymakers to understand the most cost-effective way to conduct the program.

It is important to note that none of the randomly assigned treatments we suggest would require going through the expensive process of gathering detailed information about individuals' skills or labor shortages across the country. In helping individuals find job opportunities, implementers could simply connect them with existing job-matching systems, such as the *Servicio Público de Empleo* or other private online services, perhaps encouraging them to search in areas with lower rates of unemployment. As such, the program would aim to address a market failure—spatial mismatch in the labor market due to a lack of information and the high cost of moving—rather than attempt to carefully match workers with employers in certain areas. The latter would likely be very difficult and expensive at scale. The program suggested here, however, would make it possible to implement the program relatively quickly, for a large number of people, and at a relatively low cost.

It should be emphasized that the program would have to be entirely voluntary and transparent, with clear expectations about what kinds of support would and would not be provided. Furthermore, in the pilot phase, individuals who choose to move should be monitored after their moves to ensure the changes do not in fact lead to worse outcomes for some. If they do, those individuals should be given support to move back to their original locations.

### **Rigorously evaluate livelihood programs**

Livelihood programs designed to help individuals achieve decent work and increase their incomes can have remarkable impacts. For example, a program in Liberia that offered livelihood and life skills training to young women increased employment by 47 percent and incomes by 80 percent.<sup>188</sup>

However, these programs are highly inconsistent in their effectiveness. For example, nearly half of all experimental evaluations of vocational training programs have failed to produce statistically significant impacts on income or employment, which means we cannot be confident that they had any impact at all. Some livelihood programs, such as cash transfers to business owners, have proven more reliable than others. Still, none are consistently effective across contexts.<sup>189</sup>

Nonetheless, considering the high rates of poverty among Venezuelans and host communities and the potential for livelihood programs to benefit these populations, funding for these programs must continue. To ensure they are having their intended impacts, it is imperative to rigorously evaluate them, ideally using experimental methods.

The programs also should be evaluated for cost-effectiveness. In some cases, programs have significant impacts but fail to achieve cost-effectiveness, which means the benefits created are smaller than the cost of the program.<sup>190</sup> In these cases, simply giving beneficiaries cash would be a better

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<sup>188</sup> Franck Adoho, Shubha Chakravarty, Dala T. Korkoyah Jr., Mattias Lundberg, and Afia Tasneem, “The Impact of an Adolescent Girls Employment Program: The EPAG Project in Liberia,” World Bank Policy Research Working Paper 6832, April 2014.

<sup>189</sup> Louise Fox and Upaasna Kaul, “The Evidence Is In: How Should Youth Employment Programs in Low-Income Countries Be Designed?” USAID, September 8, 2017, [https://static.globalinnovationexchange.org/s3fs-public/asset/document/YE\\_Final-USAID.pdf](https://static.globalinnovationexchange.org/s3fs-public/asset/document/YE_Final-USAID.pdf).

<sup>190</sup> David McKenzie, “How Effective Are Active Labor Market Policies in Developing Countries? A Critical Review of Recent Evidence,” IZA Discussion Paper 10655, March 2017, <http://ftp.iza.org/dp10655.pdf>.



alternative. Measuring cost-effectiveness using cash benchmarking is therefore crucial to ensuring that limited funds are being spent as effectively as possible.

To our knowledge, only one experimental study of livelihood programs has been conducted in Colombia. The study evaluated the *Jovenes en Acción* program, a government-run vocational training and internship program that was offered between 2001 and 2005. The evaluation found that, one year after training, both women and men were more likely to be working formally but only women earned higher incomes on average. Ten years after training, women still had higher incomes and rates of formal employment compared to the control group (i.e., those who did not receive the program), but men did not.<sup>191</sup>

It is important to note that refugees and migrants face different constraints to labor market success than do members of the host community. For example, they have more limited access to capital constraints and fewer social networks. As a result, certain programs may be more or less effective for displaced Venezuelans.<sup>192</sup>

Given the lack of rigorously evaluated livelihood programs in the Colombian setting and for refugees, it is critical that organizations with the budget to implement livelihood programs on a large scale experimentally evaluate their approaches. Large organizations like the ILO, UNHCR, and major NGOs, as well as the government of Colombia, should take the lead in evaluating their programs to create evidence for what works to support displaced Venezuelans and host communities in the Colombian context. Donors should commit to providing funding for rigorous evaluations.

### **Raise the profile of companies that engage refugees**

As a generator of employment, the private sector is a key actor in economic inclusion. Already, many businesses hire Venezuelans to create social benefit or because of the economic benefit that doing so can bring to the company. If international organizations and NGOs create an additional incentive for hiring refugees or supplying from refugee-owned or -employing businesses, even more businesses will likely make efforts to do so.

One way to create an incentive is to develop an initiative to raise the profile, among socially minded consumers in countries that import their products, of companies that engage forcibly displaced people. If consumers are aware of the social benefits that these companies are creating, they may be more inclined to buy their products. This increase in demand could stimulate exports for companies that engage refugees, thus creating incentives to work with refugees. It also could bolster Colombian companies' profits, potentially allowing these companies to expand and hire more Venezuelans as well as Colombians. In other words, such an approach could create widely shared benefits.

Organizations like the Tent Partnerships for Refugees (Tent) and the Business Refugee Action Network (BRAN) are already engaged in these types of efforts. For example, Tent is developing a consumer brand initiative for which it will provide certifications to companies that hire or source from suppliers providing decent employment to refugees and forced migrants, thus raising their profile among

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<sup>191</sup> Orazio Attanasio, Arlen Guarín, Carlos Medina, and Costas Meghir, "Long Term Impacts of Vouchers for Vocational Training: Experimental Evidence for Colombia," NBER working paper, July 2015, <https://www.nber.org/papers/w21390.pdf>; Orazio Attanasio, Adriana Kugler, and Costas Meghir, "Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial," *American Economic Journal: Applied Economics* 3, no. 3 (2011): 188–220, <https://pubs.aeaweb.org/doi/pdfplus/10.1257/app.3.3.188>.

<sup>192</sup> Kirsten Schuettler and Laura Caron, "Jobs Interventions for Refugees and Internally Displaced Persons," World Bank, 2020, <https://openknowledge.worldbank.org/handle/10986/33953>.

socially conscious consumers. It has held many public events to highlight the actions that specific companies are taking to support refugees. BRAN held a high-level event for global business leaders to demonstrate its support for refugees in the margins of the United Nations General Assembly in September 2019.<sup>193</sup> CEOs launched the Business Takes a Stand for Refugees Statement, endorsed by 19 businesses and organizations, focusing on progress toward sustainable development goals for refugees. The launch was widely publicized in the media and communications.<sup>194</sup>

As with any innovative approach to creating livelihood opportunities, these approaches to raising companies' profiles should be evaluated for their impact on refugees' livelihoods and companies' bottom lines. In particular, it would be helpful to better understand the extent to which these certifications stimulate exports and/or incentivize companies to work with refugees.

If a certification approach is found to be effective, then a larger partnership of organizations could be created to expand its reach. With more resources, it could encourage more companies to participate and further elevate the recognition of certifications among consumers.

## To the Private Sector

### Engage Venezuelans and host communities through core business and value chains

Businesses can affect Venezuelans' economic inclusion more directly than any other actor. A recent CGD report outlines how they can play an important role by directly hiring members of displaced populations and host communities, investing in businesses owned by or employing displaced individuals, and/or supplying from businesses owned by or employing displaced persons.<sup>195</sup> By engaging Venezuelans and host community members as employees, investees, and suppliers (including among small and medium-sized enterprises), businesses can speed up the process of economic inclusion.

Businesses in Colombia should likewise jointly target Venezuelans and Colombians who face barriers to economic inclusion, including IDPs and Colombian returnees. Other members of poorer communities hosting large numbers of Venezuelans, while not forcibly displaced themselves, may be in need of support—especially given the economic impacts of COVID-19.<sup>196</sup>

To succeed in these efforts, businesses may have to invest in adjusting their recruitment, hiring, and contracting processes. For example, they may need to tap into digital social networks—widely used by Venezuelans—to find and reach job seekers and suppliers outside traditional channels. To help guarantee worker retention, they should commit to orienting and training new workers, as well as facilitating any necessary organizational culture change to promote cohesion with the existing workforce. Leadership from company executives is critical to enable these changes. Firms with human resources departments should empower those units to take the above steps.

### Advocate and create input for continued policy progress

Businesses should take up a key role as advocates for improving economic inclusion. Because they drive the economy, they have great potential to influence government policy. Indeed, since businesses

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<sup>193</sup> IRC, "Business Refugee Action Network," <https://www.rescue-uk.org/Business>.

<sup>194</sup> BRAN, "Business Refugee Action Statement on the Sustainable Development Goals (SDGs): Securing SDG Progress and Inclusion for Refugees," <https://www.rescue-uk.org/sites/default/files/document/2050/statementpostersnovember.pdf>.

<sup>195</sup> Cindy Huang, "Global Business and Refugee Crises," Center for Global Development, September 2017, <https://www.cgdev.org/sites/default/files/global-business-and-refugee-crises.pdf>.

<sup>196</sup> Gobierno de Colombia, "Estrategia de generación de ingresos."



in Colombia are not traditionally deeply involved in humanitarian policy discussions or in advocacy around social issues, adding their voices to the dialogue could grab policymakers' attention and have an outsized influence.<sup>197</sup> Large national and international companies, in particular, can be very influential and have direct access to many government officials.<sup>198</sup>

By acknowledging the benefits of greater integration and signaling their support for hiring Venezuelans, business leaders can incentivize the government to make potentially difficult policy changes. They offer unmatched insight into what needs to be done to facilitate hiring and economic inclusion. For example, if a lack of regularization and work rights is a major barrier for businesses that want to hire talented Venezuelans, business leaders could convincingly advocate for the greater provision of work permits—a divisive issue for which an additional voice would be powerful. Especially influential businesses—such as those with a long history in Colombia or large presence in the country—can act as champions, taking the lead as strong advocates and encouraging others to do the same.

Likewise, the government should continue to work with business organizations and leaders to receive input on how policy changes affect the private sector's engagement with Venezuelans. Platforms could be created to formalize this arrangement and maintain an ongoing and productive dialogue.

## AREAS FOR FURTHER RESEARCH

Conducting future research will be key to continuing to improve economic inclusion efforts. There are many unknowns regarding the impacts of regularization and the best ways to improve economic inclusion; shedding light on these unknowns could accelerate impact.

We have already mentioned one key area for research: evaluating ongoing approaches to reducing xenophobia and using the lessons learned from those evaluations to develop new, more effective initiatives. Other important areas for research include the following:

**How does regularization and work permit provision affect public perceptions?** On the one hand, regularizing Venezuelans could create resentment among Colombians in reaction to Venezuelans' having greater access to jobs and services. On the other hand, regularization may normalize the presence of displaced populations. Furthermore, expanding work rights could improve interpersonal contact, as it could lead to more Venezuelans' working alongside Colombians. Understanding these dynamics around social cohesion could help create a more convincing case for regularization.

**Why are Venezuelans with postsecondary degrees earning so much less than their potential indicates they should earn?** We have suggested that these gaps are due to a lack of formal labor market access and a difficulty verifying credentials. However, there is no evidence for which of these factors matters more or if there are other, even more important factors. A survey of degree-holding Venezuelans that collects detailed information about their date of entry into Colombia, migratory status, attempts to verify credentials, and job search history, for example, could help to answer these questions.

**How has the PEPFF played out in practice?** We have argued that for various reasons, the PEPFF may have a limited impact. But if the demand for highly educated Venezuelan workers in the formal market

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<sup>197</sup> Cindy Huang, "Global Business and Refugee Crises."

<sup>198</sup> Interview with a representative from Unilever.

is high enough, it could have a significant effect. In such a case, the PEPFF could provide a useful, more politically feasible model for other countries. Another question related to the PEPFF is how to maximize its application. For example, would information provision to Venezuelans or businesses be most helpful?

**How can women’s economic inclusion be best facilitated?** Building on the government’s Income Generation Strategy, we have suggested some ideas for further study. For example, researchers should examine the best ways to expand Venezuelan families’ access to childcare. More research can be conducted to understand what other policies and programs, aside from those we have suggested, can best support women.

**How effective are job search assistance and vocational training in the Colombian context?** These approaches have been highlighted as important means to integrating Venezuelans into the economy. However, as mentioned above, they can be ineffective. Therefore, it may be necessary to rigorously study the effects of existing training and job search interventions to ensure they are having the intended effect.

**Should Venezuelans’ movement to regions with more job opportunities be facilitated? How?** A large body of research suggests that it is hard to get individuals to move for economic opportunities.<sup>199</sup> Even though many Venezuelans have expressed a willingness to move for jobs, in practice, they may be reluctant or unable to move. Furthermore, encouraging Venezuelans to move may create new problems. If moving causes them to distance themselves from social networks and they fail to find work in their new locations, they may be worse off. It therefore would be important to monitor living and working conditions of Venezuelans following their moves.

**How should livelihood and humanitarian support be adapted to address the impacts of COVID-19?** As we have shown, the pandemic has had far-reaching consequences for the lives of displaced Venezuelans in Colombia, devastating their livelihoods and forcing many to remigrate, including to Venezuela. It is still unclear what the best ways to respond to these changes are and will be. Responding to the impacts of the quarantine and economic shutdown, implementers have had to adjust livelihood programs. However, it is still unclear which methods are most effective in this new context. Research therefore should be conducted to understand best practice for livelihood programs during the pandemic. Furthermore, it is unclear what impacts reverse migration will have on future migration flows and the humanitarian needs of Venezuelans again crossing the border in the future. To address these uncertainties, research and monitoring should be conducted to understand the trends and needs of future forced migrants.

## CONCLUSION

The influx of Venezuelan refugees and migrants into Colombia presents many challenges but also has created a development opportunity. Indeed, the arrival of Venezuelans and the constructive response of the government and its partners has already created widely shared benefits.

Strengthening a robust response to improve Venezuelans’ economic inclusion in Colombia could multiply these benefits. Greater economic inclusion would mean higher incomes for Venezuelans,

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<sup>199</sup> Abhijit V. Banerjee and Esther Duflo, “Good Economics for Hard Times,” *Public Affairs*, November 12, 2019.

creating a ripple of economic and social benefits in their host communities. It also would imply higher rates of formal work, creating positive labor market impacts and fiscal benefits for the government. These impacts would increase Venezuelans' self-reliance, improving their standard of living and reducing aid dependence. Meanwhile, the private sector would benefit by being able to work with skilled, motivated individuals. The devastating humanitarian and economic toll of the COVID-19 pandemic makes achieving these benefits—and extending lifesaving support to displaced Venezuelans—more important than ever.

The right policy choices can help to ensure that these benefits are realized. In this paper, we have recommended actions that can be taken to build upon and improve the impressive range of policies and programs that the Colombian government, civil society, the private sector, and international donors and organizations have launched. If these diverse stakeholders act upon their plans and the recommendations laid out here, they will accelerate economic inclusion and capitalize on the development opportunity that Venezuelans have presented for Colombia.

## APPENDIX A. DATA

The main data we use for the descriptive statistics and economic analysis are from the *Gran Encuesta Integrada de Hogares* (GEIH) from *Departamento Administrativo Nacional de Estadísticas* (DANE), the Colombian statistics agency. We use a combination of the rural (*Resto*) and nonrural (*Cabecera*) data along with the migration module. These data are nationally representative and collected monthly through household surveys.<sup>200</sup>

For our estimates we combine data from August, September, and October 2019, the most recent months with data at the time of writing. Combining months in this way allows for more precise estimates and representative estimates for 23 metropolitan areas.<sup>201</sup> We use these combined data to calculate all rates and proportions. To calculate absolute numbers (e.g., the total number of Venezuelans), we use data only from October. The merged data sets used for our analysis, the Stata do file used for descriptive statistics and analyses, and the Excel file with graphs can be found [here](#).

The GEIH migration module explicitly identifies Venezuelans in the sample. All respondents are asked where they were born and how long ago they came to Colombia (less than a year, 1–5 years, or more than 5 years ago). This means that Colombian citizens who were born in Venezuela and returned to Colombia are included as Venezuelans. The result is likely an overcounting of Venezuelans. However, gaps in economic outcomes for returnees is a concern that can and should be addressed. Therefore, the data on Venezuelans can be considered to encompass a broader population of concern: Venezuelans and a subset of returnees.

The total three-month sample comprises 189,684 observations. The October 2019 sample has 63,530 observations. With sample weights, the total estimated population in October 2019 is 48,946,258. The total number of estimated Venezuelans is 2,200,909, of which 1,861,427 are estimated to have arrived in the past five years. These estimates are substantially larger than official estimates from the Colombian migration agency (the total number of Venezuelans estimated to be in the country as of October 2019 is 1,630,903) but in line with estimates from DANE using the same labor market survey.<sup>202</sup>

What causes this discrepancy? A large part of it could be explained by the inclusion of Colombian citizens born in Venezuela, as mentioned above. According to government estimates, as of October 2019, about 450,505 returnees were born in Venezuela. However, not all of them have claimed Colombian citizenship (though they have the right to) and are likely counted to some extent in the government estimates for the number of Venezuelans in the country. The discrepancy also could be explained by inaccuracies in the survey estimate, though the probability that the true number of Venezuelans in the population (assuming no measurement error in terms of who should be counted as Venezuelan) is less than 2,084,073 is only 2.5 percent. It is therefore very unlikely that the true

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<sup>200</sup> All months for the *Gran Encuesta Integrada de Hogares* (GEIH) data set can be found through the *Archivo Nacional de Datos*, on the *Colombia—Gran Encuesta Integrada de Hogares—GEIH—2019* page, here: [http://microdatos.dane.gov.co/index.php/catalog/599/get\\_microdata](http://microdatos.dane.gov.co/index.php/catalog/599/get_microdata). All months for the GEIH migration module can be found through the *Archivo Nacional de Datos*, on the *Colombia—Modulo de Migración—GEIH—2019* page, here: [http://microdatos.dane.gov.co/index.php/catalog/641/get\\_microdata](http://microdatos.dane.gov.co/index.php/catalog/641/get_microdata).

<sup>201</sup> DANE, “Dirección de Metodología y Producción Estadística,” April 2016, [https://www.dane.gov.co/files/investigaciones/fichas/empleo/metodologia\\_GEIH-01\\_V9.pdf](https://www.dane.gov.co/files/investigaciones/fichas/empleo/metodologia_GEIH-01_V9.pdf).

<sup>202</sup> As of October 31, 2019. United Nations, “Plataforma de Coordinación para Refugiados y Migrantes de Venezuela: Colombia,” <https://r4v.info/es/situations/platform>; DANE, “Publicación del módulo de migración: Resultados y análisis del módulo,” September 2019, <https://www.dane.gov.co/files/investigaciones/boletines/ech/ml-migracion/presentacion-geih-migracion-2012-2019.pdf>.

number is as low as 1.6 million. Yet another source of discrepancy could be underestimates of the number of undocumented Venezuelans in government statistics, as these estimates rely on statistical projections in addition to local surveys.<sup>203</sup>

A final source of the discrepancy could be differences in who is counted as a resident of the country. The Colombian government does not count pendular migrants—that is, Venezuelans holding Border Mobility Cards (*Tarjeta de Movilidad Fronteriza* [TMF]), who can stay in the country for only seven days at a time—as residents. It also does not count Venezuelans in transit who have *Permiso de Ingreso y Permanencia de Tránsito Temporal* (PIP-TT) visas and are ostensibly on their way to other countries. As of October 2019, there were 4.4 million TMF holders. From December 2018 to October 2019, 357,412 PIP-TTs were granted. Most of these Venezuelans should not, in theory, be included in the GEIH. The GEIH surveys only “habitual residents,” people who reside for the most part in the selected household. Under some circumstances, this could include TMF holders, who could spend part of their time in Venezuela and most of it in Colombia. It also could include PIP-TT holders who have decided to stay in Colombia rather than continue their journeys. Regardless, because the survey focuses on those who consider themselves long-term residents, it should be a more or less accurate portrayal of Venezuelans in the country, plus a small number of Colombian returnees born in Colombia.

In calculating income, we focus on labor income. That is, we do not include other sources such as transfer payments or income from, say, capital investments. We included only labor income because the goal of economic inclusion—to improve labor market outcomes—is linked mostly to labor income. We convert income to dollars using an exchange rate of \$1 to 3,326 Colombian Pesos.

We use DANE’s variable definitions wherever relevant. Specifically, we consider urban individuals more than 11 years old as working age and rural individuals more than nine years old as working age. For informality, unless otherwise noted, we follow DANE’s definition based on firm size and employment type.<sup>204</sup> We also follow its definitions for labor force participation, employment, and unemployment.<sup>205</sup> For returnees, we count Colombian-born individuals who were living in Venezuela one or five years ago. In comparing Venezuelans to Colombians, we include only native-born Colombians.

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<sup>203</sup> Reina et al., “Elementos para una política pública frente a la crisis de Venezuela.”

<sup>204</sup> DANE, “Medición de empleo informal y seguridad social.”

<sup>205</sup> DANE, “Principales indicadores del mercado laboral.”

## APPENDIX B. METHODOLOGY

To estimate the extent to which Venezuelans' incomes, and thereby GDP, could increase if barriers to economic inclusion were lowered, we predict the labor income that each Venezuelan in the sample would receive if they were Colombian. This methodology is similar to approaches taken by academic articles on immigrant wage gaps; McKinsey's influential *Power of Parity* report; the recent analysis of wage gaps for refugee women by the International Rescue Committee and the Georgetown Institute for Women, Peace, and Security; and the Institute for Democracy and Economic Affairs's study of the impact of granting Malaysian refugees the right to work.<sup>206</sup> Since the approach does not account for general equilibrium effects and is based on a relatively limited set of predictors of labor market performance, it produces only a rough estimate. However, it provides a general idea of the potential gains from greater economic inclusion. The merged data sets used for our analysis, the Stata do file used for descriptive statistics and analyses, and the Excel file with graphs can be found [here](#).

To create our estimates, we run a series of regressions for various sex-education subgroups, thus allowing the impact of being Colombian to vary across each of these subgroups. To begin, we restrict the sample to all working-age Colombian women with postsecondary degrees (specifically, university and postgraduate degrees) and run a Poisson regression on income.<sup>207</sup> The regression includes controls for experience (defined as age minus years in school), with experience variables up to the fourth quadratic, and location (using a set of dummies for department). We then use the resulting model to predict labor incomes for working-age Venezuelan women with postsecondary degrees. We can refer to this variable as "as-if Colombian income."

With this estimate for all *individual* working-age Venezuelan women with postsecondary degrees, we then calculate the *average* "as-if Colombian income" for this group as well as the average *observed* labor income for the group. Then we take the difference between the predicted and observed averages to obtain the average expected monthly increase in working-age Venezuelan women with postsecondary degrees—if all Venezuelan-specific barriers to economic inclusion were lowered. Multiplying by the survey-weighted number of working-age Venezuelan women with postsecondary degrees in the three-month sample, we obtain the total three-month estimated increase for this group. Thereafter multiplying by 4, we obtain the rough total expected yearly increase.

After completing this process for working-age Venezuelan women with postsecondary degrees, we repeat the procedure for all other sex-education subgroups, that is, for all combinations of male and female as well as no schooling/some primary education, some secondary education, high school

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<sup>206</sup> Kweilin Ellingrud, Anu Madgavkar, James Manyika, Jonathan Woetzel, Vivian Riefberg, Mekala Krishnan, and Mili Seoni, "The Power of Parity: Advancing Women's Equality in the United States," McKinsey & Company, April 2016, <https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/The%20power%20of%20parity%20Advancing%20womens%20equality%20in%20the%20United%20States/MGI-Power-of-Parity-in-US-Full-report-April-2016.ashx>; Kabir and Klugman, "Unlocking Refugee Women's Potential"; Laurence Todd, Adli Amirullah, Wan Ya Shin, "The Economic Impact of Granting Refugees in Malaysia the Right to Work," IDEAS, April 2019, [http://www.ideas.org.my/wp-content/uploads/2019/05/P60\\_Refugee-V6.pdf](http://www.ideas.org.my/wp-content/uploads/2019/05/P60_Refugee-V6.pdf); Rachel M. Friedberg, "You Can't Take It with You? Immigrant Assimilation and the Portability of Human Capital," *Journal of Labor Economics* 18, no. 2 (2000): 221–51, <https://www.jstor.org/stable/10.1086/209957?seq=1>.

<sup>207</sup> In light of suggestions from Santos Silva and Tenreiro as well as Gould, we use a Poisson model rather than a log-linearized model. We also use Poisson because it allows us easily to predict income in non-transformed units (e.g., in dollars rather than logged dollars). For log-linearized regressions, it is more difficult to back-transform the logged values following the regressions because the mean squared error required for the transformation cannot be obtained from survey regressions, since they use robust standard errors.

J.M.C. Santos Silva and Silvana Tenreiro, "The Log of Gravity," *Review of Economics and Statistics* 88, no. 4 (2006): 641–58, <https://www.mitpressjournals.org/doi/abs/10.1162/rest.88.4.641>; William Gould, "Use Poisson Rather than Regress; Tell a Friend," Stata Blog, August 2011, <https://blog.stata.com/2011/08/22/use-poisson-rather-than-regress-tell-a-friend/>.

degree, technical degree, or university/postgraduate degree. We then can use the sum or averages of the results for each of these groups to determine outcomes at more aggregate levels, such as the average effect for all those with high school degrees or the total predicted gain for all Venezuelans. Table B.1 breaks down this process step by step. We used an identical process to estimate gains for returnees, as if nonreturnee Colombians, and Venezuelan women, as if Colombian men.

Table B.1. Process for Predicting As-If Colombian Labor Income

Step	Description	Result
1	Poisson regression on labor income, restricted to working-age Colombian women with postsecondary degrees, including controls for experience and location	
2	Use the model obtained from step 1 to predict <b>as-if Colombian labor income</b> for working-age Venezuelan women with postsecondary degrees	
3	Calculate the <b>average observed labor income</b> for working-age Venezuelan women with postsecondary degrees	\$211
4	Calculate the <b>average predicted as-if Colombian labor income</b> for working-age Venezuelan women with postsecondary degrees, using the results from step 2	\$566
5	Take the difference between the <b>average observed labor income</b> and <b>average predicted as-if Colombian labor income</b> for working-age Venezuelan women with postsecondary degrees	\$355
6	Repeat steps 1 through 5 for all other sex-education groups	
7	Take the population-weighted average of the differences between observed and predicted labor income for each sex-education group	\$55
8	Multiply the result from step 7 by the number of working-age Venezuelans in the three-month sample—4,515,328	~\$249,000,000
9	Multiply the result from step 8 by 4 to obtain the yearly addition to GDP	~\$996,000,000
10	Divide the result from step 9 by 2018 GDP—331,047,000,000—and multiply by 100 for a rough yearly percentage of GDP	0.3%

It should be noted that we also conducted an alternate approach. Specifically, instead of running the income regression for all working-age Colombians in each sex-education group, we ran it only for the employed Colombians in each sex-education group. We then could predict income *conditional on employment* for Venezuelans. Afterwards, we ran a Probit regression for all sex-education groups to predict the probability of employment for all Venezuelans. Taking the product of predicted employment probability and predicted income conditional on employment, we obtained predicted income.



It is difficult to know which of these two approaches produces more valid estimates. The latter model is the better choice if selection into work has a different functional form than the regression on income, conditional on employment. But if the same factors that predict entry into work explain income variation, the former model is better since it avoids extrapolating twice. Since we cannot resolve this question, we decided to use the approach that produced the more conservative estimates: the former approach.

To estimate changes in the number of informal and formal Venezuelans following economic inclusion, we follow similar procedures. Once again, we run a series of regressions for sex-education groups and use these models to predict the probability of informal employment conditional on employment and formal employment. But instead of using a Poisson regression, we use a Probit (though with the same controls). To predict informal employment rates conditional on employment, we restrict the sample for the regression to employed Colombians. This allows us to directly estimate the informal employment rate, which is calculated as a proportion of employed individuals. To predict the change in number of formal workers, on the other hand, we use the entire working-age sample of Colombians. As an alternate approach, we also calculated the predicted probability of employment and multiplied it by the predicted probability of informal employment. The former approach was more conservative, so we chose to report its findings.

To estimate the effect of economic inclusion on income for returnees, we use the same procedure as for Venezuelans. To estimate the effect of time in Colombia on income for Venezuelans, we run the same Poisson regression, but to simplify the procedure, instead of creating sex-education groups, we run a single regression with dummies for time in Colombia, education variables, and sex.

The estimates produced by these approaches are biased both upward and downward by various factors. First, they are based on a hypothetical scenario in which all barriers to labor market inclusion are lowered. In practice, this is not feasible, as migrants and refugees will always face unique challenges to economic inclusion. This lack of feasibility creates an upward bias. Another source of upward bias is the possibility that Venezuelan economic inclusion will cause lower aggregate incomes among citizens. However, this is not likely given the aforementioned research on minor labor market effects of refugee inflows. On the other hand, the estimate is biased downward due to the fact that Venezuelans will positively affect GDP in ways other than labor income. First, they may earn income from other sources. More important, they can complement Colombian citizens in the workforce, potentially increasing their average incomes. Furthermore, our estimate does not include the multiplier effects of the increase in Venezuelan consumption that would result from an increase in income. Finally, our model includes only several observable predictors of labor market outcomes. Other unobservable factors may account for the differences in labor market outcomes for Venezuelans and Colombians. For example, if Venezuelan university degrees lead to more/fewer skills than Colombian degrees, then we would expect the potential gains to Venezuelans with university degrees to be larger/smaller than our model predicts.

Our analysis relates to several other studies that have examined the potential effect of the arrival of Venezuelans on GDP. A variety of macroeconomics studies conducted by Fedesarrollo, the IMF, the World Bank, and the Colombian National Planning Department have examined the impact of the arrival of Venezuelans on potential GDP and potential GDP growth. These studies essentially look at how, as a result of the change in the amount of human capital and the size of the labor force, Colombia's potential output has changed. Their findings are similar to our own estimates of potential

growth of 0.3 percent of GDP: the IMF finds that the arrival of Venezuelans has caused short-term potential growth to increase by 0.2 to 0.3 percentage points; the World Bank estimates a 0.2 percentage point increase in potential GDP; researchers from Fedesarrollo estimate an increase of potential GDP of between 0.1 and 0.5 percentage points; and the DNP estimates that GDP growth could increase by between 0.2 and 0.9 percent from 2018 to 2021.<sup>208</sup> Crucially, for the potential growth to be achieved, and for the upper bound of these estimates to be obtained, economic inclusion is required.

Our analysis adds value to these other studies in several ways. First, it allows us to see how economic inclusion would specifically affect Venezuelans' incomes, providing a more tangible look at the extent to which greater economic inclusion would improve outcomes for Venezuelans. Second, it examines the effect that greater economic inclusion would have on various groups of Venezuelans, which can in turn be used to prioritize policy solutions. For example, it shows that the gaps in economic inclusion are much greater for highly educated individuals, suggesting the need to prioritize lowering barriers for these groups. Third, it allows us to examine outcomes aside from income and GDP, such as the increase in the number of formal workers—which has important fiscal implications.

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<sup>208</sup> World Bank, "Migración desde Venezuela a Colombia"; for an overview, see IMF, "Colombia: 2019 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Colombia," April 29, 2019, <https://www.imf.org/en/Publications/CR/Issues/2019/04/29/Colombia-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46828>.



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