

Integrating Venezuelans into the Colombian labor market

Mitigating costs and maximizing benefits

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Introduction

Before leaving office in August 2018, outgoing Colombian President Juan Manuel Santos decreed that 442,462 undocumented Venezuelans living in Colombia—most of whom had arrived since 2015 when the massive exodus of Venezuelans throughout the continent accelerated—would be regularized, enabling them to receive residency and work permits.¹ This is in addition to the 376,572 Venezuelans already in the country with regular migration status.² This commendable action is the largest process of migrant and refugee work regularization ever seen in the region, perhaps in the world outside of Uganda. It not only demonstrates solidarity with the country's Venezuelan neighbors, but it is also smart policy, given the massive economic opportunity these migrants could represent for the country.³

Yet, successful integration of migrants into the labor force marks an unprecedented challenge for Colombia. Despite its recent admission to the Organization of Economic Cooperation and Development, Colombia still faces important development challenges of its own. It is important that policies designed to facilitate and support the integration process seek to maximize the potential benefits and mitigate the possible costs of migrant integration.

This policy brief describes in detail the main characteristics of the population of Venezuelan migrants undergoing the regularization process and discusses some important points of consideration for decision-makers designing policies to accompany this process. The population of newly regularized migrants is predominately young, moderately educated, and ready to engage in the labor force. Over 75 percent are working age, and 83 percent of those have completed at least secondary education. As compared to the Colombian labor force, the newly regularized migrants are younger and more educated. If properly integrated into the labor force, they thus represent a largely productive cohort which could contribute to economic growth and productivity gains.

This new wave of migrants remains geographically concentrated in a handful of border municipalities, where their per capita concentration reaches 23.5 percent in Puerto Santander, for example. However, in the vast majority of the country these newly regularized migrants make up less than 1 percent of the municipal population. Large metropolitan centers such as Bogota and Medellin continue to have lower per capita concentrations, and thus have additional capacity to absorb the newcomers.

The economic impact of this new cohort largely depends on whether their skill sets substitute for or complement those of the native population. Research suggests that migrants and refugees typically have little impact on native employment rates, suggesting complementarity.⁴ However, it would be wise to take measures to avoid job displacement of those Colombians whose skills could be, to some extent, substitutes for migrant labor.

¹ Migración Colombia (2018a).

² Ibid; Migración Colombia (2018b).

³ Bahar and Smolansky (2018).

⁴ Clemens and Hunt (2017); Peri (2014).

One way to combat this risk is to inject capital into highly impacted regions. However, in the absence of funds to invest in infrastructure and expand access to credit in the short term, the government of Colombia might consider a form of voluntary, incentivized relocation to reduce the pressure on highly impacted border regions. This reallocation scheme should consider factors such as regional unemployment rates, relative sizes of informal labor markets and the business climate.

Background and characteristics of the population

The escalating economic, political, and humanitarian crisis in Venezuela has forced at least 3 million people to flee the country, most of them since 2015.⁵ Colombia hosts the majority of these migrants, as over 1 million people have crossed the border and remain in the country.⁶ The displacement of the Venezuelan population is, in terms of speed and potential scale, comparable to Syria.⁷

The process of regularization implies that many of the Venezuelans who took the risk of crossing the border without proper documentation will be able to stay in Colombia legally and receive work permits. Amidst concerns that this policy could place a large burden on receiving communities, we analyzed who these newly regularized migrants are and what impact, if any, they might have on the Colombian economy.

Those eligible for regularization were undocumented migrants who voluntarily registered earlier this year with the Registro Administrativo de Migrantes Venezolanos (RAMV). The Colombian authorities administered this survey at 1,109 authorized points in 413 municipalities between April and June of 2018 to count, identify and gather information on Venezuelan migrants who had entered the country without a passport.⁸ The government began distributing *Permiso Especial de Permanencia* (PEP)—which translates to “Special Stay Permits”—in August of 2018, awarded in waves based on one’s registration number, which was assigned at the time of registration (sequence based on time of registration). As of November 1, 2018, 202,046 of the 442,462 deemed eligible through this process had been regularized.⁹

Most of the new wave of RAMV migrants are young with a moderate level of education, and thus have the potential to contribute to the economy (see Figure 1).¹⁰ Seventy-five percent of these Venezuelan migrants are between the ages of 15 and 64, and over 83 percent of this cohort has completed at least secondary education. Males and females are equally represented in this active working age cohort and have similar educational profiles. At the time of data collection, 46.3 percent of migrants were engaged in some level of employment in the informal sector.

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⁵ UNHCR (2018).

⁶ World Bank (2018).

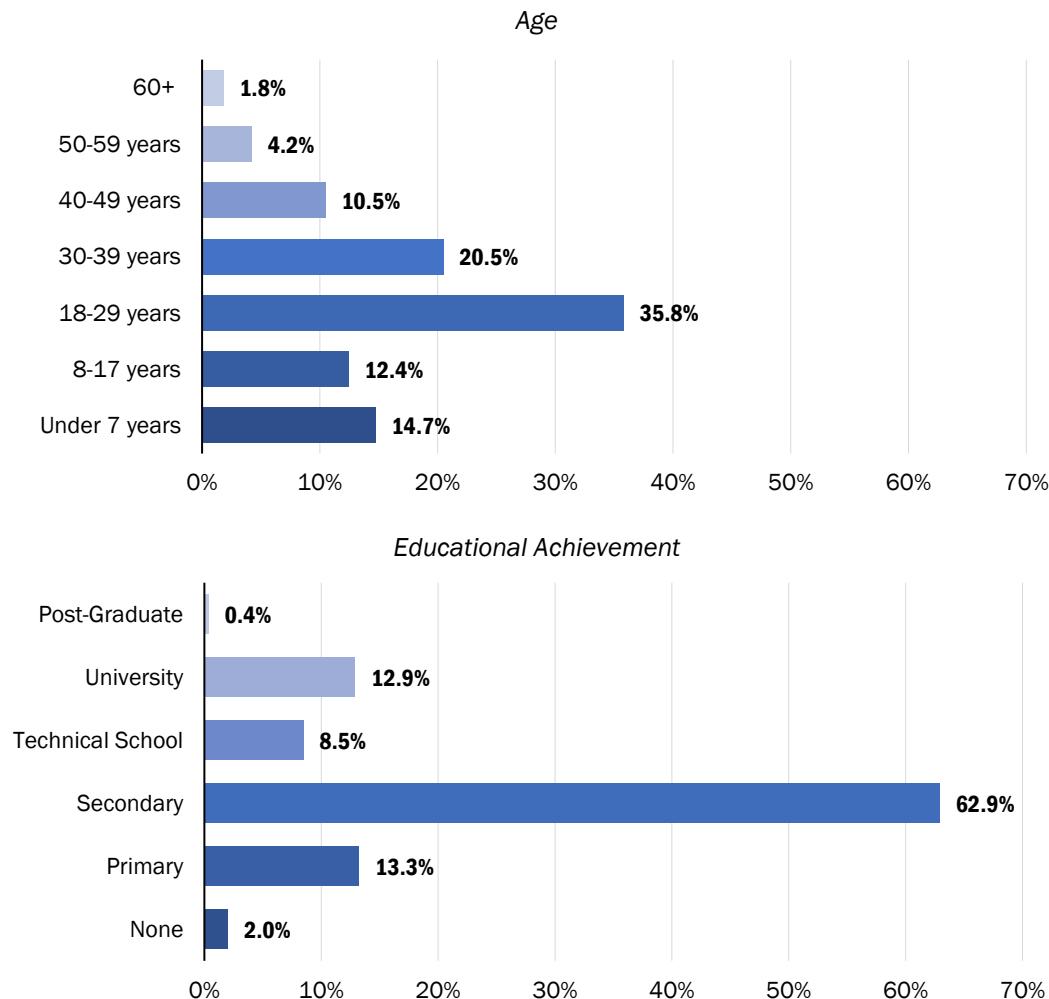
⁷ Bahar (2018a).

⁸ Migración Colombia (2018a).

⁹ Migración Colombia (2018c).

¹⁰ Data on to-be-regularized Venezuelan migrant demographics comes from anonymized RAMV survey data, provided by the Colombian Government for research purposes.

FIGURE 1.
Demographics of newly regularized migrants



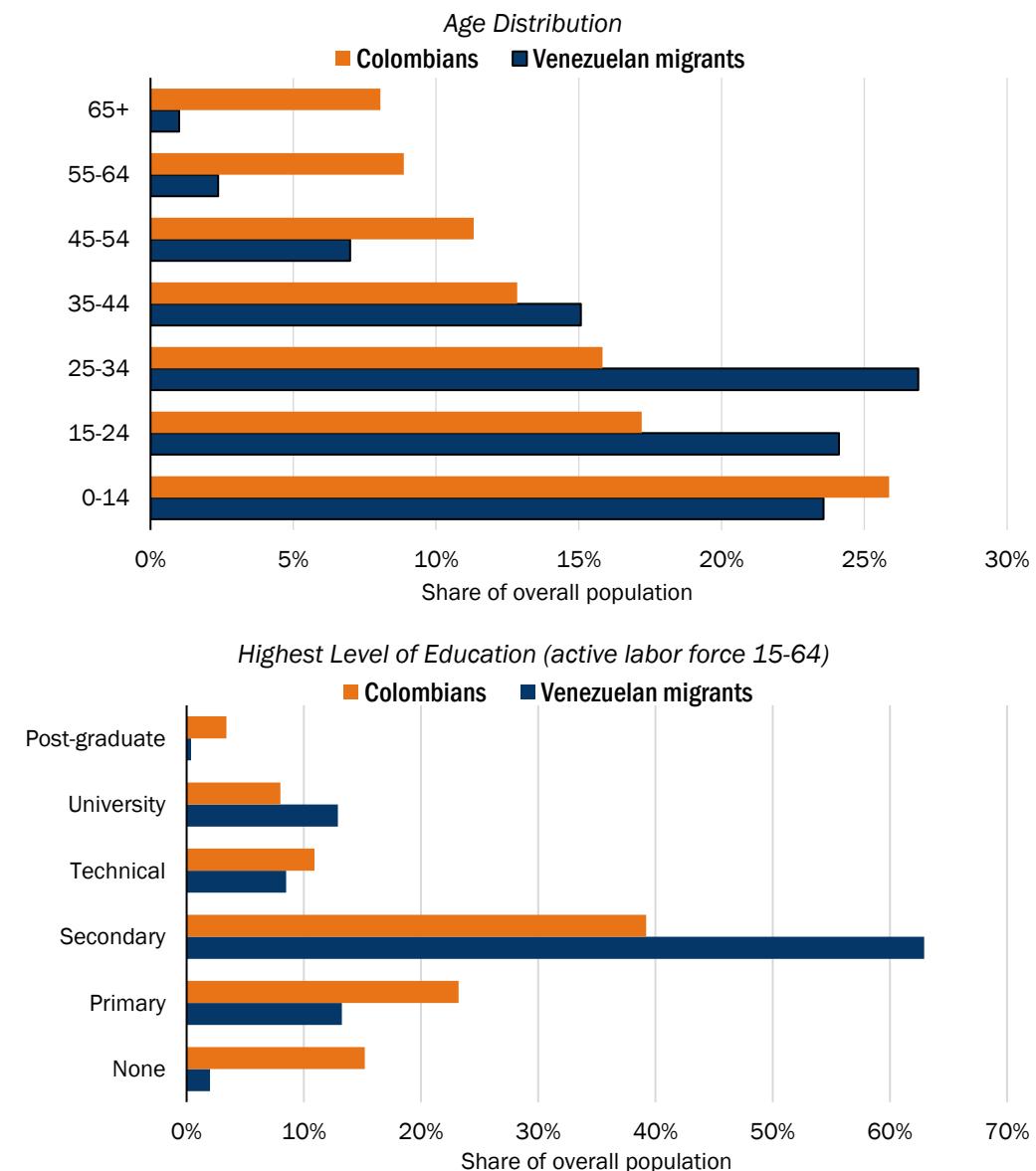
The top panel presents the distribution of the newly regularized Venezuelan migrants in terms of age. The bottom panel looks at educational attainment for those migrants who are of active working age (15-64 years). Source: RAMV and authors' calculation.

As compared to the Colombian labor force, the Venezuelan population is younger and more educated. According to 2018 population estimates, 66 percent of the Colombian population is between the ages of 15 and 64, and 61.5 percent of the active labor force in 2017 had completed at least basic secondary education (see Figure 2).¹¹ RAMV Venezuelans thus represent a largely young, educated, able bodied population in Colombia, which, if properly integrated, could yield large gains for economic growth and labor force productivity in the country.

¹¹ Data on Colombian demographics comes from the Departamento Administrativo National de Estadistica (DANE). www.dane.gov.co/. Data on Colombian workforce education levels comes from DANE at: www.dane.gov.co/files/investigaciones/boletines/especiales/educacion/Bol_edu_2017.pdf.

FIGURE 2.

Comparing newly regularized migrants to the Colombian labor force



Source: RAMV, DANE, and authors' calculation.

Note that the data does not support the argument that Venezuelan migrants contribute to rising crime. Using annual crime statistics collected by the National Colombian Police, we find that Venezuelans committed just 0.4 percent of all crimes in Colombia in 2018.¹² This is less than half of the population share of RAMV Venezuelans, who currently make up 0.9 percent of the total population. The crime rate is thus significantly lower than the share of *total* Venezuelan migrants in Colombia, which is approximately 2 percent of the population. Thus, Venezuelans commit crimes at a much lower rate than their population share would predict. When examining crime at the department level, this trend continues: RAMV Venezuelans make up 9.6 percent

¹² National crime data comes from the Policía Nacional de Colombia, accessed here: <https://www.policia.gov.co/grupo-informaci%C3%B3n-criminalidad/estadistica-delictiva>.

of the population in Arauca, yet Venezuelans committed just 1.9 percent of crimes in the department in 2018.

It is likely that the regularization process will likely result in reductions of crimes by Venezuelan migrants. Studies from Italy, the United Kingdom and Malaysia found that crime rates fell sharply after immigrants were integrated into the workforce.¹³

Geographic distribution and local labor market effects

A plausible concern regarding the regularization of Venezuelans in Colombia is that certain areas might experience slower wage growth, declining wages, or higher unemployment than others given high concentrations of migrants. Unsurprisingly, newly regularized Venezuelan migrants are highly concentrated around the border, with only eight Colombian municipalities (out of 1,122) hosting over 31 percent of all migrants. The per capita concentration in these municipalities is also large. Puerto Santander (in the Norte de Santander department), Villa del Rosario (Norte de Santander), and Maicao (La Guajira) have the largest per capita concentration of Venezuelan migrants (see Table 1).¹⁴

TABLE 1.
Top 20 municipalities by per capita share of newly migrants

Municipality	Department	Population Share
Puerto Santander	Norte de Santander	23.58%
Villa del Rosario	Norte de Santander	17.46%
Maicao	La Guajira	16.63%
Arauca	Arauca	15.63%
Manaure	Cesar	15.41%
Fonseca	La Guajira	13.60%
Tibu	Norte de Santander	11.83%
Villanueva	Bolivar	11.43%
Santa Lucia	Atlantico	10.46%
La Paz	Santander	10.13%
Arauquita	Arauca	9.84%
Villanueva	Casanare	9.51%
Puerto Carreno	Vichada	8.20%
Villanueva	La Guajira	8.18%
Saravena	Arauca	7.84%
Cacota	Norte de Santander	7.32%
Riohacha	La Guajira	7.16%
Suan	Atlantico	6.51%
Cucuta	Norte de Santander	6.34%
Candelaria	Atlantico	6.32%

Source: RAMV, DANE and authors' calculation.

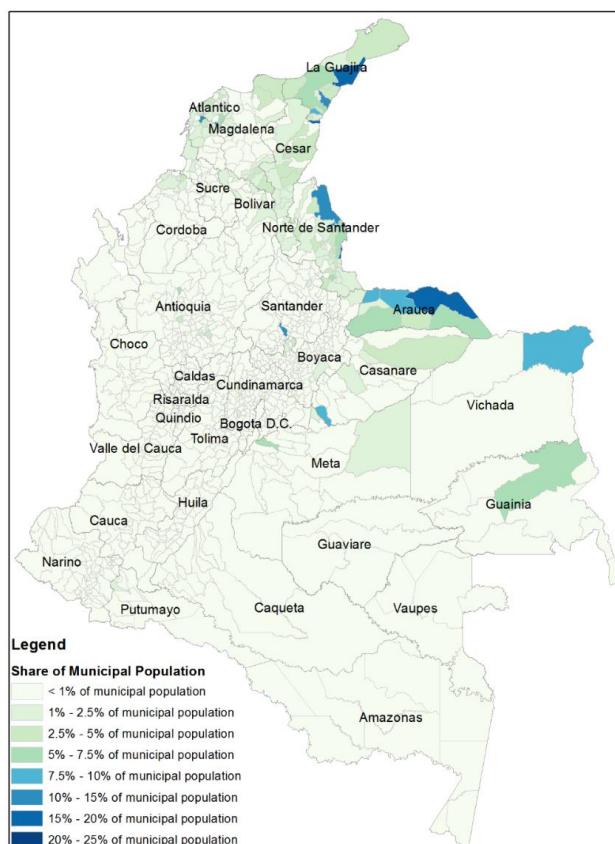
¹³ For Italy, see Pinotti (2017); For UK, see Bell et al. (2013); for Malaysia, see Ozden et al. (2018).

¹⁴ The data suggests that more vulnerable migrants (e.g., those with fewer skills/less education and health issues) stay concentrated around the border. This group likely lacks the funds needed to move onwards and depends on humanitarian assistance for basic needs, which is more readily available near the border.

While these figures are staggering, the reality in the rest of the country is much different than in these border towns. Figure 3 maps the per capita presence of RAMV Venezuelan migrants across all Colombian municipalities. In 972 out of the 1,122 Colombian municipalities the share of newly regularized Venezuelans is less than 1 percent, according to the RAMV survey. Large metropolitan cities currently host a small number of RAMV migrants per capita (Bogota, 0.53 percent; Medellin, 0.46 percent; Cali, 0.43 percent; Barranquilla, 1.74 percent and Cartagena, 1.34 percent), and as such these urban centers have a large capacity to absorb and integrate newcomers. This remains true even accounting for other Venezuelans outside the RAMV cohort, a substantial portion of which may be located in these larger cities.

FIGURE 3.

Population share of newly regularized migrants at municipal level



Source: RAMV survey, DANE and authors' calculation.

A common perception is that migrants may create downward pressure on local wages or increase unemployment. The possible negative effects on local labor outcomes depend, roughly, on one main aspect: whether migrants and natives are substitutes or complements in their occupations, skills and tasks. If the migrants are complements, then we should expect that the wages of natives would increase, in fact, due to the inflow of migrants and refugees into the labor force. Intuitively, this is because these migrants and refugees constitute a different labor pool, and therefore they do not change the supply of labor represented by native workers. Complementary workers

allow the economy to achieve more than it could previously and therefore may even allow salaries to go up. For example, refugees in Denmark displaced some small numbers of natives from work, who then moved into jobs requiring more complex or specialized tasks—with the native workers ultimately earning 3 percent more than they had previously.¹⁵ Migrants may also bring professional skills or entrepreneurial talent that increases the productivity of firms, allowing these firms to grow and hire more natives.

If migrants and natives are substitutes, however, this could result in downward pressure on wages for natives due to increased competition for jobs, at least until the capital stock is replenished. In other words, the slowdown on wages, if it happens, is generally temporary.

Are Venezuelan migrants and refugees substitutes or complements to Colombian workers? The question is impossible to answer at first sight, yet the data shows that they are somewhat different in their demographic profile and educational attainment. However, most research shows that migrant inflows have little to no effect on host population employment prospects, suggesting that—for the most part—migrants and refugees complement the local labor force, on unobservable or hard-to-measure characteristics.¹⁶

But beyond the specific local labor force impacts of migrant and refugee integration, there are broader effects that should be considered. For instance, when migrants join the formal labor force, they increase their incomes reducing their reliance on social welfare programs, while at the same time increasing the national tax base.¹⁷ This can occur directly through paying income taxes, or indirectly through increased earnings of formal businesses. In the case of Colombia, however, given the large informal labor market, the direct expansion of the tax base might be modest. In addition, allowing migrants and refugees to work allows them to capitalize on the initial entrepreneurial and risk-taking behavior they demonstrated in coming to a new country, which is often reflected in the creation of new businesses, and with it, the creation of jobs in receiving communities.¹⁸

In countries where the informal sector is already large, like Colombia, granting formal labor market access may have less of an impact on labor market outcomes for natives, since migrants and refugees already have access to informal employment opportunities. However, granting migrants work permits can still yield multiple economy-wide benefits. First, it would help expand the tax base if many migrants and refugees were effectively integrated into the formal labor market. Second, it would help migrants achieve greater bargaining power in the workplace, which they can use to push for better salaries and safer working environments. In fact, studies have found that even if only a few migrants are able to find formal employment opportunities due to work permit restrictions, this shift can still help those that remain in the informal sector expand their bargaining power and potentially decrease their risk of workplace harassment.¹⁹ Thus, granting formal labor market access is still an important policy

¹⁵ Foged and Peri (2016).

¹⁶ Clemens and Hunt (2017).

¹⁷ Marbach et al. (2018).

¹⁸ Pekkala Kerr and Kerr (2016).

¹⁹ Clemens et al. (2018).

measure even in large informal economies, such as in Colombia. Even though the ideal scenario would be to fully integrate migrants into the formal economy, it is important to note that research shows that countries can still experience economy wide benefits even if migrants and refugees remain in the informal labor market. In Jordan, for example, the influx of Syrian refugees into the informal economy led many native workers to shift from informal to formal employment due to complementary skill sets.²⁰

This does not minimize the fact that in border towns there could be instances where migrant workers are more similar in terms of skill sets to the native population, and that in the absence of growth in the capital stock, we could expect to see some negative labor market outcomes, in particular in areas with high concentrations of refugees or newly-arriving migrants.²¹ More generally, we already do see the palpable infrastructure strain these new arrivals place on small border towns, particularly on hospitals.²²

One way to overcome these possible negative effects on infrastructure or, more broadly, physical capital, would be large investment flows towards the most impacted regions. Yet this is likely an unrealistic solution given the limited fiscal capacity of the national and regional governments when it comes to public goods. Additionally, existing market failures (abundant in developing countries, and perhaps more prevalent in smaller towns) could possibly hinder the availability of credit and the inflow of private capital.

Given the scale of this migration and refugee crisis, injecting capital – both for public goods or in the form of private credits – is a role the international donor community could play. Yet, in the near term, this also seems a partial solution at best, as donations thus far have been quite limited. If the donor community scaled up aid to the levels we have argued for before,²³ a portion of these funds could be allocated to infrastructure support. In addition to alleviating migrant stress, this would bring economic gains to the host communities in the mid to long term.

Voluntary geographic redistribution of migrants and refugees

In the absence of major additional resources to invest in public goods and private credit, there are other ways to reduce pressure on areas with unusually high concentrations of Venezuelan migrants and refugees. As shown above in Figure 3, there are plenty of communities with very low per capita concentrations. Thus, it would be worth exploring a redistribution policy built on incentives to promote voluntary relocation to other localities in order to relieve some public works pressure on the border communities. If and when additional financing materializes in the future, it is likely that a combination of capital injection to highly impacted areas and voluntary relocation has the greatest potential to unlock economic opportunities for migrants

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²⁰ Fallah et al. (2018).

²¹ Braun and Omar Mahmoud (2014).

²² Moloney (2018).

²³ Bahar and Smolansky (2018); Charles et al. (2018).

and the associated benefits for natives. Other policies and programs, such as job matching and simplifying administrative procedures, can be helpful—but are minor drivers in comparison.

The most salient example of migrant and refugee redistribution schemes in recent years was undertaken by the European Union (EU) in response to the Mediterranean migrant crisis. Under the Dublin Convention, which sought to establish a common asylum framework across the EU, asylum seekers have to file asylum claims at their first port of entry.²⁴ However, in the wake of the Mediterranean crisis, this policy began to overwhelm border countries like Italy and Greece. Thus, the EU agreed to a regional quota system to relocate 160,000 refugees from border nations to other EU member states.²⁵ Regional quotas were determined by population size, GDP, the number of asylum applicants in the previous four years, and unemployment rates. However, the plan was discontinued in September 2017 after only 27,695 refugees were relocated, due in large part to Hungary and Poland's refusal to participate.²⁶

The idea of cross-country migrant and refugee redistribution is not new; possible frameworks for proportional burden sharing of refugee hosting responsibilities have existed since the 1990s.²⁷ Today, a range of innovative policy schemes have been suggested to reduce the burden on frontline countries. Some have argued for tradeable immigration (and subsequently refugee) quotas that resemble carbon taxing schemes, based on ideas grounded in mechanism design theory.²⁸ Under this proposal, UNHCR would determine the number of refugees to be resettled in each country, based on assigned quotas determined by an agreed upon set of criteria. Countries would then be allowed to trade quotas on an open marketplace, which would encourage higher initial quotas than if allocations were fixed. This framework would also allow for a matching system, whereby migrants and refugees can rank their preference for destination location and countries can rank their preference for types of migrants. Many scholars have proposed this type of two-sided matching system for refugee resettlement, arguing that taking both state and refugee preferences into account creates the potential for better outcomes for all.²⁹

Building on these cross-country distribution mechanisms, various migrant and refugee hosting countries have attempted to implement internal redistribution schemes in recent years with varying levels of success. Turkey, which currently hosts the majority of Syrian refugees, assigns asylum applicants to one of 51 “satellite cities” away from metropolitan areas.³⁰ Asylum seekers have access to public services in their assigned city, but are not allowed to leave without government permission. While this has ensured that asylum seekers do not overwhelm the public services in the border regions, there are often few employment prospects and a lack of affordable housing in satellite cities.³¹ Those that choose to leave for major cities like Istanbul or Ankara with better work prospects lose access to public services and their legal status in the country. Similarly, Switzerland introduced annual migration quotas in February 2014

²⁴ Commission of the European Communities (2000).

²⁵ European Commission (2016).

²⁶ Barigazzi (2017).

²⁷ Schuck (1997); Hathaway and Neve (1997).

²⁸ Fernandez-Huertas Moraga and Rapoport (2015)

²⁹ Jones and Teytelboym (2017); Andersson et al. (2018); van Basshuysen (2017).

³⁰ UNHCR.

³¹ Kirisci (2017); Leghtas and Hollingsworth (2017).

under its Controlling Mass Immigration Initiative.³² New migrants are allocated randomly and proportionally to a canton according to quota requirements and are eligible for social benefits there. Similar to Turkey, migrants who leave their assigned canton lose access to benefits.

Despite critiques of Turkey and Switzerland's policies, many scholars submit that migrant and refugee redistribution schemes can be an effective policy tool if designed properly. The Immigration Policy Lab has proposed an internal redistribution scheme which uses an algorithm to match refugees with the location where they have the highest likelihood of being successful.³³ In theory, internal redistribution mechanisms should be more readily achievable than cross-country frameworks, since national governments have an incentive to maximize outcomes within their borders, where the choice is between better and worse integration in different locations versus between accepting or not accepting new migrants or refugees. Moreover, policies and incentives are more readily aligned across sub-state regions (albeit not perfectly). Using historical data on refugee resettlement outcomes, the algorithm created by the Immigration Policy Lab estimates the likelihood that a refugee will find work in a given location based on their demographic profile. It then assigns the refugee to the location where they have the best chance of finding employment. When applied to the U.S. context, researchers found that refugees were two times as likely to find a job when placed by the algorithm as compared with historic data. This fall, Switzerland began piloting algorithmic matching to assign asylum seekers to cantons, replacing their previous random assignment scheme.³⁴

What type of incentives can be provided to achieve redistribution? Migrants and refugees tend to be more mobile and are thus better able to respond to regional differences in economic opportunity than natives.³⁵ Historically, incentives for internal mobility have been used with some success.³⁶ In Bangladesh, for instance, seasonal migration could help some workers find temporary employment, but financial constraints prevent many from traveling during the lean season, when families are most in need of additional income support. Innovations for Poverty Action explored providing a monetary incentive to families to help lower the cost of migratory travel. They found that the incentive increased migration to nearby urban areas and that families who received an incentive were better off during times of famine than those that did not receive an incentive.³⁷ Furthermore, a study looking at the effectiveness of integration policies for refugees to Germany following World War II found that low mobility among refugees likely hindered their labor market success, and argues that, given their lack of resources, incentives for mobility could have improved outcomes.³⁸ Venezuelan migrants, likewise, are coming to Colombia with very limited resources, having lost most of their savings to Venezuela's soaring hyperinflation.³⁹ Thus, a modest incentive could make a real difference in a family's decision to relocate, whether temporarily or permanently.

³² Gesley (2016).

³³ Bansak et al. (2018).

³⁴ Stanford University (2018).

³⁵ Borjas (2001); Sarvimäki et al. (2016).

³⁶ McKenzie (2017).

³⁷ Bryan et al. (2014).

³⁸ Falck et al. (2012)

³⁹ Faiooa (2018).

Reducing the geographic concentration of Venezuelans in Colombia would not only alleviate some of the pressure on public works and services, but could also mitigate concerns over job displacement in border communities. More importantly, it could potentially maximize and spread around the country the possible gains from this migration inflow. Colombia has the capacity to implement a successful voluntary redistribution scheme, building upon best practice from other hosting regions and academic literature, potentially with some sort of incentive payment and matching process, to increase effectiveness. Any potential scheme, we believe, must respect the right of migrants to free movement within the country and should refrain from tying social benefits to a specific geographic location. In the following section we highlight a few potential indicators that the government of Colombia might use in determining these regional quota allocations.

Potential indicators for a voluntary redistribution scheme

Building on the EU regional burden sharing system, a voluntary redistribution scheme for Venezuelan migrants within Colombia could consider not only current per capita migrant concentration, but also subnational unemployment rates, the size of the informal economy, as well as cross-region differences in business climate conditions that could favor the creation of small businesses by migrants.

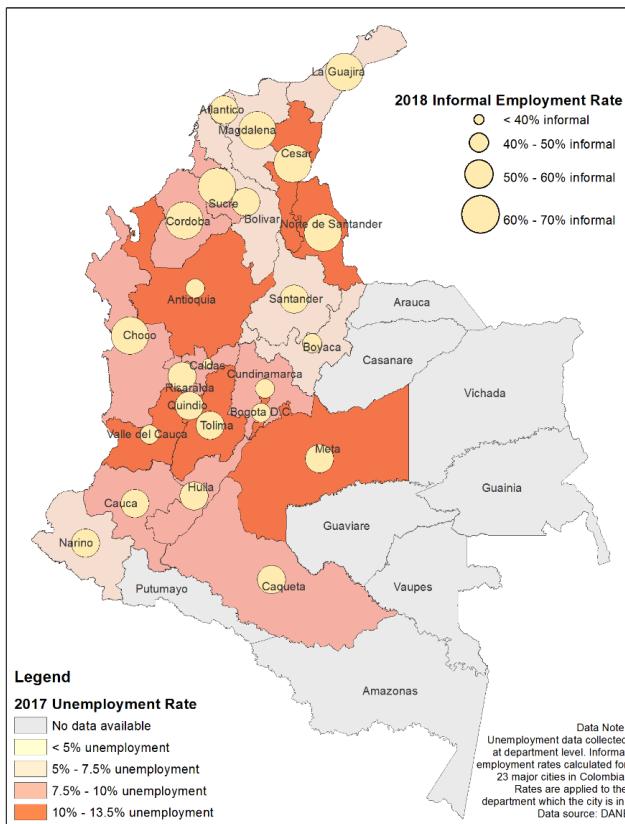
For example, Norte de Santander, which hosts over 18 percent of newly regularized Venezuelans, has a formal unemployment rate of 12.4 percent, which may limit integration prospects into the formal labor force.⁴⁰ On the other hand, Bolívar, which hosts only 1.08 migrants per capita, has a formal unemployment rate of 6.4 percent, and thus may hold better economic opportunities for new arrivals. Figure 4 presents a heat map of unemployment rates for every department in the country, as well as the relative sizes of the informal labor market in those same regions.

Ideally, of course, any redistribution scheme would seek to integrate Venezuelan migrants and refugees into the formal labor market. The integration of workers into the formal labor market is highly important for several reasons. First, workers in formal labor markets are subject not only to regulations but also to a number of protections under the law, such as a guaranteed minimum wage and protections from employer exploitation, the risk of which may be higher for vulnerable migrants and refugees. Second, by working in the formal sector, migrants would be contributing to the tax base in the country, alleviating possible concerns about the fiscal pressure migration inflows could generate. Third, as firms in the formal sector tend to be more productive than those in the informal sector, the inclusion of a significant number of workers into the formal labor force enables productive workers to enhance their efficiency, which in turn increases economic productivity in the country as a whole.

⁴⁰ Data on unemployment rates and informal sector employment comes from DANE, <http://www.dane.gov.co/index.php/en/statistics-by-topic/labor-market>

FIGURE 4.

Unemployment rates and share of informal employment by department



The figure above depicts a heat map of unemployment rates by Colombian department, overlaid with the relative size of the informal market in the capital city of each department. Source: DANE.

This is not an easy task, however, as the informal labor markets are large to begin with in Colombia. Major cities, for example, tend to have larger informal labor markets, and given the low current concentration of migrants and refugees in urban centers, it might be smart policy to incentivize redistribution towards these areas. The literature suggests that Colombia's high informal employment rate is a result of a high corporate income tax rate, which discourages job creation in the formal sector; high non-wage labor costs, which incentives workers to avoid tax compliance; and a high national minimum wage, which disincentives job formalization.⁴¹ The Colombian government has enacted a series of policies over the last 10 years to accelerate and incentivize the process of formalization, offering small and medium size enterprises financial and non-financial support, enacting tax reforms to reduce the cost of hiring workers, and extending the rights of domestic workers.⁴² In a recent survey, researchers looked at the various types of informal workers in Colombia to better understand the incentives that keep them working informally. Informal workers with primary education or less are largely subsistence informal workers, who do not possess the skills needed to enter the formal labor market. Those with secondary education are largely induced informal

⁴¹ Fernandez and Villar (2016).

⁴² ILO (2014).

workers, whose productivity is comparable to those in the formal sector but are prevented from entering the formal labor force due to structural barriers. Those with tertiary education are categorized as voluntary informal workers, those who could work in the formal sector but choose to work informally due to some type of cost-benefit analysis.⁴³ Given their education level, RAMV migrants are likely induced or voluntary informal workers, which indicates that with regularization and subsequent government investments in labor force formalization, they could integrate into the formal labor market.

As discussed previously, migrants and refugees tend to start businesses at higher rates than natives, leading to subsequent job creation. Thus, an important aspect to consider when thinking of resettlement policies could be the business climate conditions in different regions. Even though migrants could potentially constitute an engine for job creation through formal small businesses, important barriers such as red tape could hinder this process.

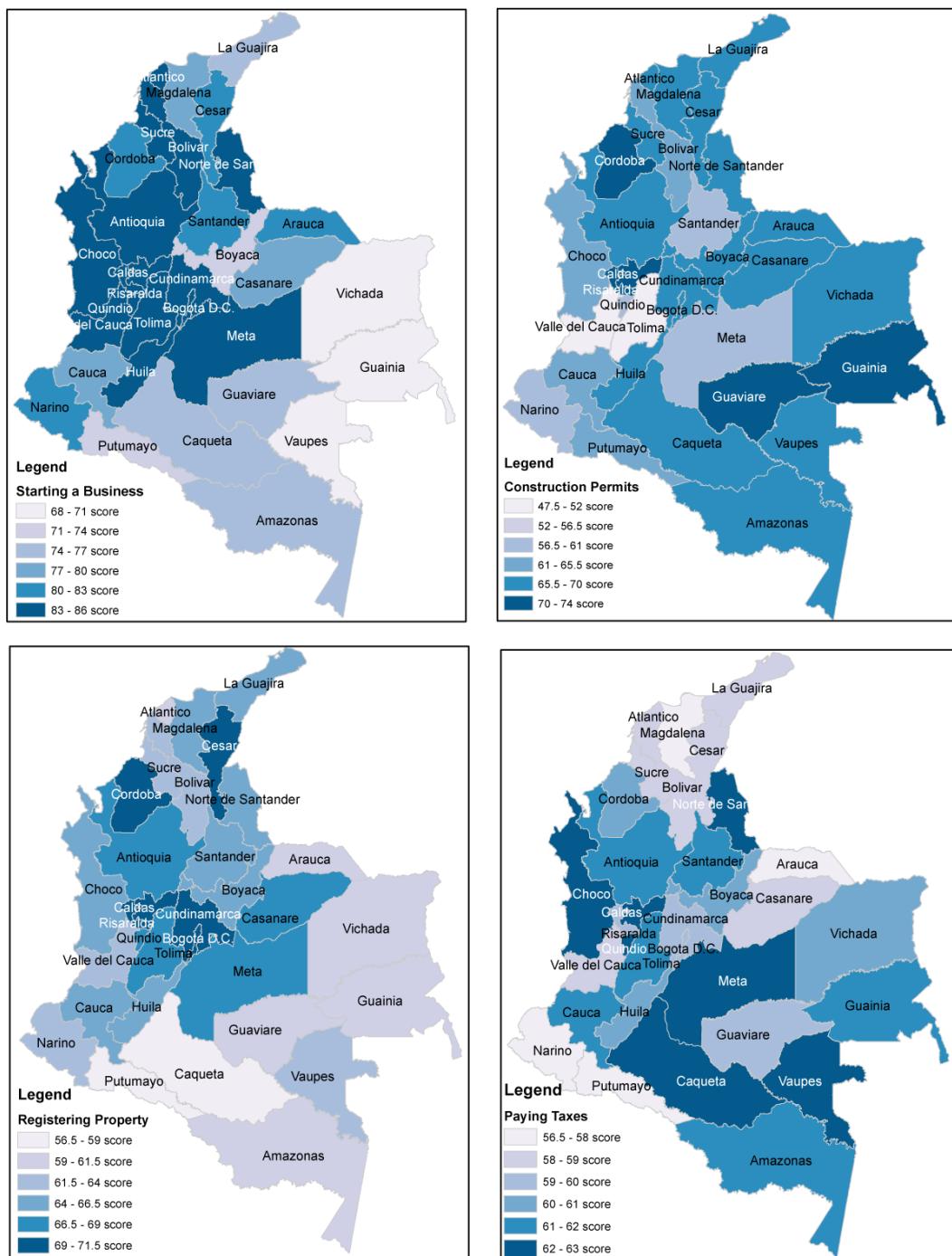
It is important to note that currently PEP permits do not allow migrants to register a business with the tax authority, which inhibits potential economic gains from migrant business creation. However, if this condition were fixed, it would make sense to think about business climate aspects when designing a reallocation scheme. Business climate considerations are not only important for migrants themselves, who could boost the creation of small businesses in settings with favorable conditions, but also for natives, who might respond to the inflow of migrants into the labor market with their own entrepreneurial actions, due to an increased and differently skilled labor supply.

Figure 5 below visualizes different aspects related to business climate across Colombian departments, utilizing the World Bank's Doing Business for Colombia at the subnational level for 2017.⁴⁴ Looking at department level scores, where 100 indicates best industry practice, Antioquia stands out as one of the best places to start a new business, with a score of 85.67 (5th best department). Given that Antioquia currently hosts just 0.33 newly regularized migrants per capita, this department might represent a hospitable location for would-be Venezuelan entrepreneurs. The informal market is also relatively smaller here, representing 42 percent of the labor market in Medellin. Notably, despite its high unemployment rate, Norte de Santander is similarly a good place to start a business, with a score of 85.85 (3rd best department). This is a positive sign given its high concentration of Venezuelan migrants. However, the informal market is large here; Cucuta, the capital city, has the highest informal employment rate in the country at 68 percent. This points to the need for a more nuanced economic analysis in order to determine the best possible location for migrant employment prospects.

⁴³ Fernandez and Villar (2016).

⁴⁴ Data comes from World Bank Doing Business in Colombia 2017 sub-national data, available here: <http://www.doingbusiness.org/en/reports/subnational-reports/colombia>.

FIGURE 5.
Doing Business 2017 sub-national rankings



The upper left panel shows the ease of starting a business, using data from the largest city in each department. The upper right panel depicts the time it takes to deal with construction permits. The lower left panel shows the time it takes to register property. The lower right panel presents the time and fiscal costs of paying taxes. Higher scores indicate a better business climate. Source: World Bank Doing Business Colombia 2017 and authors' calculations.

Conclusion

In the face of an overwhelming and underfunded displacement crisis, Colombia's efforts to regularize the status of its Venezuelan migrants and offer them work permits should be praised. While a coordinated, regional response is desirable, in the interim other hosting countries in the region should follow Colombia's lead and offer a path towards regularization for their migrant and refugee communities. Such efforts not only recognize the forced nature of many Venezuelans' displacement, but also enhance economic resiliency by offering newcomers a chance to participate in and contribute to the economy immediately, rather than relying on humanitarian organizations for basic needs.⁴⁵ Economic integration is not only beneficial for migrants, but for host communities as well, who gain new workers, ideas, and skill sets which can boost economic innovation and job creation.⁴⁶ A good example of this is the creation of new small businesses, typically fueled by migrant inflows. In this case, however, it is important to eliminate existing red tape in order to allow PEP holders to create and register new firms in the formal sector. Efforts to reduce the economic strain on border regions and capitalize on the age and skill level of these newcomers will ensure that Colombia's generosity is rewarded with reciprocal economic and productivity gains.

It is important to note that the effectiveness of this most recent wave of migrant regularization will depend somewhat on the characteristics, location, and labor force integration of other groups of Venezuelans in the country, as well as returning Colombians and IDPs on the move. The status of those Venezuelans who are in the country but did not register with the RAMV survey remains in question, as the government has not yet announced if there will be future rounds of registration and regularization. Overall, the literature shows that regularizing and integrating these Venezuelans sooner will lead to better outcomes.⁴⁷

Colombia can enhance the impact of its recent round of regularization by investing in complementary policies which mitigate the negative effects of migrant integration and promote positive labor force outcomes. In order to facilitate formal labor force integration, we suggest a policy of voluntary, incentivized relocation of Venezuelan migrants to both ease the infrastructure pressure in the border regions and give migrants access to more dynamic sub-national economies. Such a scheme could build on innovative ideas in academic literature for migrant and refugee burden sharing, such as two-sided matching or algorithmic placement. In the medium term, this system could be used for regional migrant responsibility sharing as well. Colombia could be the pilot test site for some of these new matching schemes, which could then be scaled to a regional platform administered by UNHCR or IOM. International donors could provide monetary support to ease regional hosting costs, while regional partners themselves could negotiate quota systems based on economic integration indicators.

In addition, in order to incentivize the integration of migrants into the formal labor market, the government could find ways to engage with the private sector to make the

⁴⁵ Bahar (2018c); Huang and Gough (2018).

⁴⁶ Bahar (2018b).

⁴⁷ Marbach et al. (2018); Bakker et al. (2014).

case for hiring migrants, as well as implement active labor market programs (such as apprenticeships and job matching platforms).

Colombia has demonstrated its commitment to finding a long term solution to the current migration crisis by allowing a process for migrant regularization. The ideas in this brief hopefully help the authorities to ensure these newly regularized migrants are set up for success.

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