The role of migration in Colombia's competitiveness

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Main findings

The relationship between migration and trade and Foreign Direct Investment (FDI) has not yet been fully addressed, nor policies around this topic fully assessed. Venezuelan immigrations have increased dramatically over the past years affecting mainly the Colombian informal markets and highlighting a policy challenge in terms of regularization and insertion of immigrants into social security schemes. The boarder situation with Venezuela has caused an almost total broke down of any commercial relation with that country. Furthermore, information on Colombian migrants is rather scarce, this should be perhaps one the first items to address in order to design evidence-based policy recommendations. Colombian migrants, specially in the US and Spain, have higher educational levels and, in general, they improve their economic situation compared to before departure. However, commercial ties with their country of origin are weak due to weak social networks and social capital and remittances are mainly used for consumption in Colombia. Hence, policies around these matters should be assessed and adjusted.

Venezuelan immigration

The political, social and economic conditions of Venezuela have caused an increase in migratory flows to Colombia, especially in recent years. By April of 2020 there were 1,788,380 people, of which 57.3% were irregular immigrants (Unidad Administrativa Especial Migración Colombia, 2020). Farné and Sanín (2020), characterize the Venezuelan population in Colombia, both in educational and work-related terms, by using data from the Large Integrated Household Survey (GEIH) presented by the National Administrative Department for Statistics' (DANE) of Colombia. Out of the Venezuelan residents of working-age in Colombia, 28.4% had a technical, technological or college degree in the period July 2014 - June 2015, while this percentage was just 15.9% for Colombians. Between July 2018 and June 2019 this proportion grew to 17.3% for the Colombian population, while it decreased for Venezuelan residents, reaching 18.1%. On average, Venezuelan immigrants are relatively more educated than Colombians, although this difference has decreased over time, and the proportion of Venezuelans with just basic and high school degrees has increased. Conversely, at the beginning of the millennium migrations was characterized by the arrival of highly qualified and high-income people from the oil sector in Venezuela (Consejo Nacional de Política Económica y Social, 2018).

In the labour market, Venezuelans work mainly as independent and waged workers in the private sector. Initially, during the early 2000's a significant number of entrepreneurs arrived in the country, but their proportion has decreased over time, between July 2018 and June 2019 only 4% of working age immigrants were employers. Conversely, since the 2014 – 2015 period, the participation of domestic service and independent workers has grown (Table 1) (Farné & Sanín, 2020).

Table 1: occupied according to occupational position. national total

Year	Waged worker (private sector)	Waged worker (public sector)	Domestic service	Independent	Employer	Unpaid worker	Laborer	Other
A. Non-Venezuelan employed workers								
Jul 14 - Jun 15	38.1%	3.9%	3.3%	42.4%	4.1%	4.9%	3.2%	0.1%
Jul 15 - Jun 16	38.6%	4,0%	3.2%	42.7%	3.9%	4.4%	3.1%	0.1%
Jul 16 - Jun 17	38.7%	3.8%	3.1%	43.3%	3.8%	4.2%	3.1%	0.1%
Jul 17 - Jun 18	38.5%	3.8%	3.0%	43.1%	4.2%	4.3%	3.1%	0.1%
Jul 18 - Jun 19	38.9%	3.9%	3.0%	43.0%	4.0%	3.9%	3.3%	0.1%
B. Venezuelan employed workers								

Jul 14 - Jun 15	45,0%	0.3%	1.6%	44.7%	4.1%	3.8%	0.4%	0.1%
Jul 15 - Jun 16	40.4%	0.3%	2.2%	42.0%	6.1%	6.5%	2.5%	0.0%
Jul 16 - Jun 17	44.3%	0.7%	3.0%	44.7%	3.0%	3.5%	0.8%	0.1%
Jul 17 - Jun 18	42.0%	0.2%	4.0%	47.5%	1.5%	3.4%	1.4%	0.0%
Jul 18 - Jun 19	43.1%	0.1%	4.1%	46.7%	1.2%	2.6%	2.1%	0.2%

Source: Observatorio del Mercado de Trabajo y la Seguridad Social using GEIH (Farné & Sanín, 2020).

Their insertion in the economy, especially in the early stages of their migration, usually occurs in informal segments of the labour market or even in the illegality (Reina, Mesa, & Ramírez, 2018). This situation has dramatically increased over the past five years: the informality, due to lack of social security, grew from 61,7% in 2014 to almost 90% in 2018. By that year, the informality rate for Colombians was also high but significantly lower (62%). Furthermore, between 2014 and 2018 the proportion of waged workers with signed contract fell from 73% to 25% (Farné & Sanín, 2020). Despite the educational advantage of immigrants, Venezuelans face higher annual unemployment rates: between 2.2 and 6.2 percentage points higher compared to the Colombian population between July 2014 and June 2019. Additionally, Venezuelans work more hours and earn less on average compared to Colombians, this happens whether they are self-employed or waged employees.

The increase in labour supply, especially due to the arrival of immigrants in recent years, has led to negligible reductions in wages in the informal sector and among the less educated and to a small reduction in wages in the formal sector (Santamaria-Alvarez, Sarmiento-González, & Arango-Vieira, 2019). However, the increase on labour offer, especially of workers with only secondary education, the barriers on degree validation, the increase on irregular immigration and on their participation in the informal market, has hindered the Venezuelan integration into formal labour markets and lead to increases on their unemployment rate.

Much of what has been done in policy has focused mainly on humanitarian aid and, in the more recent years, towards regularization and labour market insertions. The CONPES document 3950 of 2018 aimed at designing basic attention and integration policy routes for the immigrant Venezuelan population and to strengthening the institutions responsible for these policies. Furthermore, in 2019 the Presidency launched the income generation strategy for the migrant Venezuelan population and host communities which has helped to identify and regularize immigrants. Regarding information some improvements have been made in recent years such as the creation of the immigrants' module (GEIH)[1], the "*Tarjeta de Movilidad Fronteriza*" (TMF) in 2017[2], the "*Registro Administrativo de Migrantes Venezolanos* (RAMV)[3] also since 2017, the "*Registro Único de Trabajadores Extranjeros en Colombia* (RUTEC)"[4] since 2018 and the "*Permiso Especial de Permanencia* (PEP)"[5] since 2017.

Colombian diaspora in USA and Spain

Unfortunately, there is no standardized, continuous and regular information on Colombian migration, nonetheless we gather different sources in order to provide a characterization and the main trends of migrants. Migration has increased from nearly 3 million in the past decade (Cárdenas, Medina, & Trejos, 2010) to 4.3 million Colombians living abroad nowadays (Unidad Administrativa Especial Migración Colombia, 2019). According to *Migración Colombia* (2019) the main destinations in 2018 were the USA (31.7%), Mexico (10.6%)

[1] More info available at: https://bit.ly/2An4rB8.

[2] It authorized the entry to Colombia through the Migration Control Posts and to stay for up to seven days in the areas defined by the immigration authority. In total, 1,624,915 were approved. More info available at: https://bit.ly/2CWdl9E.

[3] It provides information on immigrants' characteristics. More info available at: https://bit.ly/2NOgaf4.

[4] This platform enables the registration of foreign workers by Colombian employers. Thus, collecting information on immigrant's employment situation. More info available at: https://bit.ly/3gff2xk.

[5] Nowadays it is a work permit aimed at facilitating the regularization of Venezuelan nationals. More info available at: https://bit.ly/2BXOr9e.

and Spain (9.8%), followed by Panamá, Ecuador, Perú, Venezuela (3.7%), Chile, Brazil, Dominican Republic, in that order. As expected, migration to Venezuela has fallen given that in 2014 it was the third destination for migrants (USA (34%) followed by Spain (23%) and Venezuela (20%)) (Perilla, 2011).The departments of origin of Colombian immigrants are usually Valle del Cauca, Cauca, Risaralda, Quindío, Caldas, Antioquia (Álvarez, 2012) and Bogotá (Garay & Medina, 2007)[6].

In 2018, around 1.3 million Colombians[7] were living in the US (Unidad Administrativa Especial Migración Colombia, 2019) and by 2015 they were located mainly in the metropolitan areas of Miami and New York (Migration Policy Institute, 2015). Historically, the main motives for migration have been the internal conflict experienced in Colombia during the past century and the economic instability caused by the economic crisis of the late 90s (Migration Policy Institute, 2015), another reasons are the changes in US immigration legislation[8] and improvement on income perspectives (Ramírez, Zuluaga, & Perilla, 2010).

The characterization of the Colombian migrants in the US has many and different data sources, therefore we provide a summary of them. Around 45% of migrants fell within the age range of 25 to 45 years, particularly between 35 and 44 years old (Cárdenas & Mejía, 2006) and most of them were women, 57.7% in 2016 (Mejía-Ochoa, 2018). Regarding their educational level, migrants in the US are at the highest levels of the Colombian society and share similar educational levels of US nationals (Medina & Posso, 2009)[9]; by 2015 they represented 5% of the Colombian population with graduate degree (Bermúdez, 2015). Nonetheless, the IOM (2010) affirms that the migratory flow that diversified in the mid-1970s was characterized by the migration of the unskilled workforce and middle-class entrepreneurs (Ramírez, Zuluaga, & Perilla, 2010). Regarding the labour market, around 70% of Colombian immigrants participate in the market, higher than the participation of the US nationals. In addition, Colombians are almost as likely as US citizens to be in professional or managerial occupations, 31% and 29% respectively (Migration Policy Institute, 2015). Furthermore, Colombian migrants experience lower unemployment rates and have higher incomes than non-migrants (Santamaria-Alvarez & Śliwa, 2016).

Regarding trade and trans-national business activities, Santamaría and Śliwa (2016) used data obtained through interviews with migrant families in the US and found a low willingness of individuals to engage in transnational activities because of four reasons: i) lack of confidence among migrants, ii) low level of social cohesion, iii) fear of being associated with illegal activities; and iv) great distrust in public projects for migrants. These factors make difficult to build relationships, thus hindering the reduction of transaction and investment costs. In terms of investment, Colombian migrants in the US invest mainly on real estate, while the proportion of investment in entrepreneurship is relatively low.

Similarly, Santamaria-Alvarez, Sarmiento-González, & Arango-Vieira (2019) carried out a specific study on migrants in the US who have initiated transnational entrepreneurial activities. They show that Colombian entrepreneurs have a low participation in Colombia's market and in the political associations that link the country to the US. Furthermore, the low enthusiasm to participate in government activities reinforces the issue of the fragmented and small migrants' networks. The ones who have started transnational businesses are mostly those who already had previous experience in entrepreneurial issues and maintain constant contact (virtual or face-to-face) with their consumers and employees. Therefore, migration to the US seeks mainly employment by a

[6] By using the 2005 census, the projection in 2007 showed the main places of origin: Valle del Cauca 23,1% Bogotá D.C 17,6% Antioquia 13,7%, Risaralda 6,9%, Atlántico 5,8%.
[7] Considering first (Colombian immigrants) and second generation (US born with at least one Colombian parent).
[8] Among them, the Immigration Act of 1965 abolished immigrant quotas, eliminated the limits on the number of visas by country of origin, changed the eligibility criteria of emigrants and favored family unification. The act of Immigration Reform and Control of 1986 (granted permanent residence to immigrants who had arrived in the United States before 1982) which were important for the first migratory waves from Colombia.
[9] It is important to notice that there may be an under-registration of the illegal immigrants in the data sources like the US Census, thereby underestimating the average education of the Colombian migrants.

relatively high educated Colombian population, nonetheless, the business ties with the country of origin are rather weak and face greater barriers as an economic activity compared to the labour market.

Regarding Colombian migrants in Spain, there were 426.751 living in that country in 2018 (Unidad Administrativa Especial Migración Colombia, 2019). By 2011, most of the Colombian migrants in Spain were located in Madrid, Catalonia and Valencia (Bermudez, 2011). By 2010, one of the main reasons to migrate was to improve their economic situation (54%) and the security situation in Colombia (20%). Other reasons included familiar motives, and educational projects (Ramírez, Zuluaga, & Perilla, 2010). In the more recent years, the migration flow has started to shift and there has been a counter current of high-qualified Spanish people (Malaver Tatar, 2019).

The Colombian migration to Spain is mostly feminine and mainly of working age population (Álvarez, 2012). Regarding educational levels, around 16% - 18% of the Colombian migrants in Spain have a graduate degree (Actis, 2009). However, according to Perilla (2011), the percentage of Colombians with higher education is higher for the Colombian migrants in the US, which may be associated with the domain of the second language. Regarding the Spanish labour market, 89% of men and 85% of women were economically active and 66.9% of men and 46.2% of women were occupied by 2009. They also experienced low unemployment rates (Actis, 2009) and were mainly employed in the service sector (Garay & Medina, 2007).

Regarding transnational business Matiz and Hormiga (2011) show that the issues related to legal permits and licenses are one of the biggest challenges faced by entrepreneurs, as well as financing when the migrant's collateral is in the country of origin. These market conditions may not be suitable for qualified people to stay and create businesses, thereby losing the opportunity for transnational business with Colombia. Similarly to the US migrations case, Colombian migrant in Spain generally have better opportunities in the labour market and face greater challenges for trans-national business.

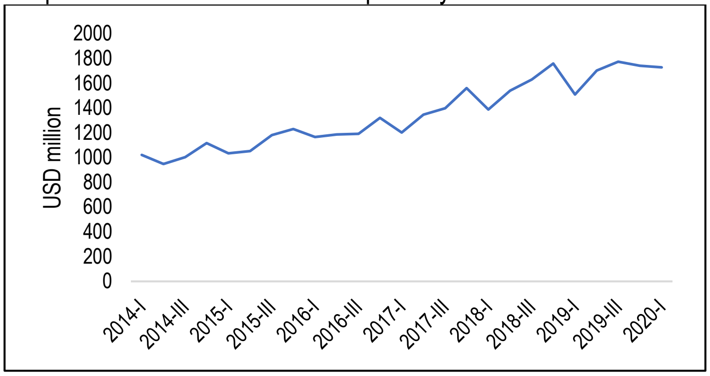
Some policy initiatives have been done, however there is still a lack for a stronger policy approach on this topic. In 2009 the Integrated Migration Policy was approved (CONPES 3603 of 2009), it aimed to advance in the characterization of Colombians abroad and expand the instruments of access to social protection mechanisms for migrants and immigrants (Consejo Nacional de Política Económica y Social, 2009). Hence, in 2019 a bill that establishes the Integrated Migration Policy of the Colombian State was presented to Congress. The bill focuses on the same CONPES policy principles such as improving the quality of life for Colombians abroad, the inclusion of immigrants in Colombian society, orderly and regulated migration, etc. Other initiatives include programs such as *Colombia* N*os Une*[10] or *Conexión Colombia*. Nonetheless, all these initiatives lack of a proper evaluation that assesses their results.

Remittances

Remittances have increased constantly over the past decade. In 2018 remittances were equivalent to 2 percent of the GDP, while the average for the period 2011 and 2015 was 1.1 percent (Graph 2) (Garavito, Collazos, Hernandez, & Montes, 2019). Based on the Quarterly remittance data from the Central Bank of Colombia (Banco de la República), total remittances in the first months of 2020 were $1,728 million USD ($1,511 USD in the first trimester of 2019) (Graph 1) and they mainly proceed from the US (51%) and Spain (15%) (US (48%) and Spain (16%) in 2019) (Banco de la República, 2020).

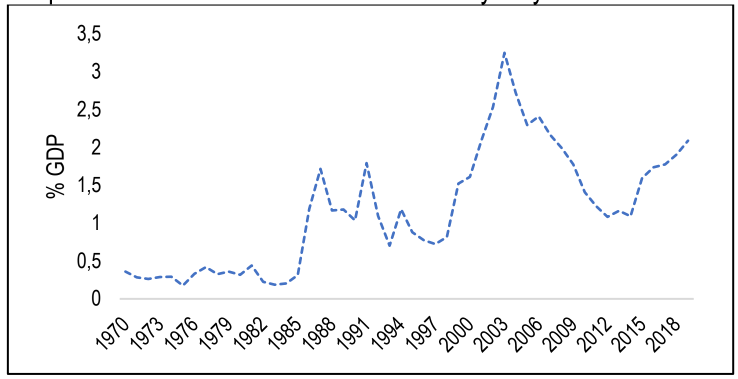
[10] This program was designed with the objective of connecting Colombians abroad and making them subjects of public policy. Moreover, it attempts to provide the necessary conditions for regular migration, so migrants maintain their links with Colombia. More info at: https://www.colombianosune.com/.

Graph 1: Colombian remittances quarterly: 2014-2020



Source: Banco de la República (2020)

Graph 2: Colombian remittances as % GDP yearly: 1970-2018



Source: Banco Mundial (2020)

The remittances recipient departments are the same as the ones with high emigration: Valle del Cauca, Antioquia and Cundinamarca (Bogotá) received 70% of the remittances coming from US in 2017. From Spain: Valle del Cauca and Risaralda received 52.7% of the total in 2017 (Garavito, Collazos, Hernandez, & Montes, 2019). For 2020, the main recipients of US remittances are Antioquia (23%), Valle del Cauca (19%) and Cundinamarca (18%). From Spain, remittances are transferred to Valle del Cauca (31%), Antioquia (13%) and Risaralda (13%) and Cundinamarca (12%) (Banco de la República, 2020). According to Garavito et al. (2019), remittances receptors are mainly women, head of households with elementary school levels or lower, working as independent or in household chores and fall within the third to the fifth quintile of income. Receptors spend mostly the remittances (93%) in household expenses and investment is about (1%).

Policy Recommendations

- Improvement of information and evidence: information is still very scarce, irregular and non-continuous. More accurate demographic information on Colombian migrants, irregular Venezuelans and assessments on government programs should be created in order to formulate evidence-based policy recommendations (DNP).
- Regularization and economic and social integration: Given that most of Venezuelan migrations falls into informality more effort should focus on to achieving the regularization of the largest possible proportion of Venezuelan migrants, their insertion in the formal labour market and their link to the educational system and human capital training programs (Reina, Mesa, & Ramírez, 2018).
- Institutional strengthening: the Colombian government should asses their programs, policies and legislation in order to organize clearer and stronger institutions that deal with migration topics.
- Networking strengthening: the Colombian government must work on building a relationship of trust with its migrants and create projects that stimulate investment in the country with an emphasis on knowledge and technology transmission. They should also bring forward the provision of spaces that encourage the creation of relationships between migrants. Investment can be increased through fairs that connect entrepreneurs with financial institutions, migrants and the government (Santamaria-Alvarez & Śliwa, 2016).
- Investment and links to Colombia: the Colombian government should focus on launching programs that encourage qualified migrants to invest in the country (Santamaria-Alvarez & Śliwa, 2016).

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