



Challenges and opportunities of the economic integration of the Venezuelan population in the Peruvian labor market



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Introduction

Peru is one of the countries in the region that is experiencing a greater migratory flow of Venezuelans. According to the latest figures published by the Refugee and Migrant Working Group in Peru (GTRM, for its acronym in Spanish) in the R4V data platform (Plataforma de Coordinación Interagencial para Refugiados y Migrantes de Venezuela) ¹, as of July 2022, the number of Venezuelans in Peru already exceeded one million, making the latter the second largest receiving country in the region after Colombia (R4V, 2023).²

As migrants and refugees seek to rebuild their lives in the new host country, they may be exposed to several barriers (e.g., language, legal restrictions, lack of information, etc.). Indeed, a long-standing literature on immigrant integration has shown that this population faces numerous challenges, including discrimination, the need for formal permits, skill mismatches, or even long waiting periods and other bureaucratic hurdles to regularize their status.³

The evidence suggests these barriers are consequential for migrants' and refugees' economic integration. For instance, recent work by Ahrens et al. (2023) shows that labor market restrictions on refugees in Switzerland lead to significant reductions in their employment and earnings flows, and that these effects are long-lasting. Similarly, Bratsberg et al. (2002) provide evidence of positive labor returns to naturalization.⁴ In Colombia, Ibañez et al. (2022) document positive effects of a regularization program on Venezuelan's formal employment and income. However, evidence also shows that even if migrants are able to overcome formal barriers to economic integration, they may still face other issues, such as discrimination (e.g., Hangartner et al. 2019; Alesina, Miano, and Stantcheva, Stefanie 2022); negative attitudes towards migration can translate into employers' reluctance to hire newcomers despite being in legal stand. Moreover, among this population there are some groups that are even more vulnerable. A further "refugee gap" has been well documented, whereby humanitarian migrants (i.e., individuals fleeing persecution or lack of protection in their home country), compared to other types of migrants or natives, experience even worse labor market outcomes, such as lower participation and wages (see, for instance, Connor 2010; Bakker et al. 2016; Ruiz and Vargas-Silva 2018; and Cortes 2004).⁵

In addition, recent literature has shown that the economic hardships associated with the COVID-19 pandemic were more pronounced among certain subgroups, particularly migrants. This, in turn,

¹ R4V is a consortium of more than 200 organizations created to coordinate existing efforts to address the Venezuelan migration and refugee crisis. In particular, they articulate around the Refugee and Migrant Response Plan (RMRP) in several countries in Latin America and the Caribbean.

² This report uses population projections produced by the GTRM and published in R4V. Population projections are based on multiple sources of information, as follows: population with a regular migrant situation (Superintendencia Nacional de Migraciones), irregular migrants (Displacement Tracking Matrix [DTM] and CCUI), trends in migration flows (airports and border control points, DTM, and CCUI). Figures may be higher than those in the national migration system because they include irregular migrants and refugee seekers.

³ See for instance, Kuhn (2022); Mattoo, Neagu, and Özden (2008); UNDP (2020).

⁴ However, see Hainmueller (2023) for some null results in the context of a randomized trial in New York State.

⁵ Refugees may also be more likely to endure other types of barriers specific to the nature of their status, such as long waiting periods before, for example, their asylum application is granted, often with detrimental consequences for their labor market integration (e.g., Kuhn 2022).

has created new barriers to their economic integration. For example, migrants were particularly vulnerable to the COVID-19 pandemic due to strict exclusion policies (Lee et al. 2021). Similarly, Ibáñez, Rozo, and Urbina (2021) show that Venezuelans living in Colombia are more likely to be affected by infectious diseases.⁶ Against this evidence, scholars, practitioners, and governments alike have joined efforts to understand the challenges faced by this population and the conditions that allow for a better integration (e.g., Bansak et al. 2018).

As part of this effort, and with the aim of documenting the current situation of Venezuelans in a more systematic way, the Peruvian National Institute of Statistics and Information (INEI, by its Spanish acronym) conducted the Survey of the Venezuelan Population Residing in the Country (ENPOVE) in 2018, the first large-scale survey of this population in Peru. Four years later, and considering the new global, regional, and national realities facing Venezuelan migrants and refugees, a second wave was launched between February and March 2022. ENPOVE II sought to explore these dynamics by including a series of modules to assess the impact of the pandemic and how respondents coped with it.

This report draws on the rich sets of questions included in ENPOVE II with a twofold purpose. First, we aim to provide a full characterization of the profile of working-age Venezuelan migrants living in Peru and their insertion into the local labor market. Here, for instance, we examine the match between migrants' formation and skills with their occupation, and compare them with the Peruvian population, using the ENAHO.⁷ Second, leveraging the rich available data, we shed light on some of the barriers the Venezuelan migrant population faces as they seek to reconstruct their lives in Peru and that challenge the successful integration in the country's labor market. While not exhaustive⁸, this discussion seeks to raise awareness on some of the difficulties identified, thereby starting the conversation (based on fresh and sound data) on the challenges to the integration of Venezuelan migrants into the economies of their host countries. We hope that future work can further elaborate on other key challenges that this population may face.

This study demonstrates that although Venezuelans are more educated relative to Peruvians and most of them have successfully entered the Peruvian labor market, they are mostly employed in low-quality jobs and with a degree of skills mismatch. Most of them are overqualified and have transitioned to more elementary occupations. Furthermore, four out of five Venezuelan workers are employed informally and their returns to higher education are lower than those perceived by Peruvians despite working more hours per week. In addition, we find that they have a significant participation in the digital economy, mainly in delivery platforms, and that two-thirds of Venezuelan workers send remittances abroad. Finally, the report concludes that whether that migrant has the right to work at the level of his or her qualifications and capabilities depends on:

⁶ The evidence also shows that other specific subgroups were particularly affected by the pandemic. For instance, the data from the US show that it affected women's labor market outcomes more than it did so to men (Albanesi and Kim 2021; Alon et al. 2020).

⁷ Venezuelan migrants in Peru have been shown to be very similar culturally, but also more skilled on average than Peruvians (Groeger, León-Ciliotta, and Stillman 2022).

⁸ We face some data constraints that limit the extent to which we can fully elaborate on the other important issues both academics and practitioners have identified as obstacles to migrant integration.

(i) the regulatory process to validate their educational degrees, (ii) the migration policy and status, and (iii) the local attitudes towards Venezuelan migration.

From a policy perspective, this report provides evidence for policy design and adaptation on what are some of the most pressing challenges facing Venezuelan migrants as they seek to integrate into the host country's labor market. In doing so, it complements other studies that shed light on these challenges in the case of Peru. For example, previous studies have used data from ENPOVE I to examine the impact of Venezuelan migration on labor market outcomes in host communities (Vera and Jiménez 2022; Groeger, León-Ciliotta, and Stillman 2022) and the impact of informality on Venezuelans' perceptions of discrimination (Groeger, León-Ciliotta, and Stillman 2022).

More broadly, this report provides systematic evidence on the challenges faced by newcomers migrating to low- to upper-middle income countries. While existing work has mostly focused on Western democracies, studies focusing on South-to-South migration, although increasing, are still scant.⁹ We therefore seek to contribute to this growing body of scholarship and provide evidence that will be useful to governments and practitioners working to address the challenges of migrant integration outside of high-income democracies.

The report is organized as follows. Section 2 describes the data and methodological approach. Section 3 analyzes key characteristics of the Venezuelan migrants and refugees of working age and compares them with Peruvians in the same age group. Section 4 explores labor market dynamics for Venezuelan migrants, followed by a discussion of key barriers to their insertion in economic activity in Section 5. The last section includes policy recommendations based on the report findings.

Methodology

This report mainly draws on evidence from the second wave of the “Survey of the Venezuelan Population Residing in the Country” (ENPOVE) conducted by the INEI. The first wave was carried out in 2018 (November-December) and the second, supported by the World Bank-UNHCR Joint Data Center (JDC) and the focus of this report, was fielded between February and March of 2022. Among the other surveys JDC has supported in the region, this is the only one that used face-to-face interviews. Because of its timing, this survey is an excellent source for analyzing the situation of Venezuelan migrants and refugees after the pandemic in Peru, which was one of the countries in the world most affected by the pandemic (WHO, 2023).¹⁰ ENPOVE II also addresses other major changes during this period such as the increase in the number of irregular migrants and the constant changes in the regularization process. In addition, it provides detailed information on

⁹ However, most of the important exceptions focus on the impact of migration on receiving countries' labor markets among native workers. For instance, Tumen (2016) documents the effect of the Syrian migration crisis in Turkey; in Latin America, the evidence is mixed, some studies with null findings (e.g., Oliveri et al 2020 in Ecuador) and some others finding negligible negative effects (e.g., Bahar et al 2021 in Colombia).

¹⁰ The survey includes specific modules on the impact of the COVID-19.

dwelling characteristics and those of household members such as migration status, health, education, employment, discrimination, gender, and victimization.¹¹

This survey was conducted in urban areas of the capital cities that concentrate the greatest number of dwellings with Venezuelan population. However, as this population permanently changes their residence, the coverage of the cities with respect to the first wave also changed. In particular, the ENPOVE II covers Tumbes, Piura, Chiclayo, Trujillo, Chimbote, Ica, Arequipa, Lima Metropolitana and Callao and is representative at the national level and for Lima Metropolitana and Constitutional Province of Callao, and the rest of cities. This is explained by the sampling frame which is based on information from the ENAMEL (Labor Market National Survey), the National Superintendence of Migrations and the Special Commission for Refugees. It is worth noting that ENPOVE I's sampling frame was based on the 2017 National Population and Housing Census and information from people who requested the Permit Temporary Permanence (PTP) registered in the National Superintendence of Migrations. The sample size for ENPOVE I was 3,611 dwellings with Venezuelan population while this number increases to 3,680 in ENPOVE II (with 2,000 of these located in Lima Metropolitana).

Methodological approach

This report exploits the richness of the data available in ENPOVE II to provide a thorough descriptive characterization of the current situation of Venezuelan migrants and refugees. Unfortunately, the two waves of ENPOVE are not fully comparable due to changes in the sampling. Thus, we cannot directly compare the two surveys as, on the one hand, these two populations differ in many respects besides their exposure to the pandemic, and, on the other hand, the sampling frames changed between waves. Whereas ENPOVE I includes a set of people who had decided to migrate for other reasons, ENPOVE II additionally includes people who until recently had decided to stay in Venezuela and might have migrated in response to the pandemic.

To address the composition/selection problem, we can run matched paired comparisons, seeking to minimize differences between groups, by matching on relevant socio-demographic characteristics correlated with their labor market performance (e.g., gender, occupation, level of education) and crucially, the year in which they entered Peru. The idea here is to create counterfactuals in each wave, before and after the pandemic leveraging the fact that in ENPOVE II, we have migrants who had arrived in Peru before the year in which the survey was fielded. We can then explore how COVID-19, as well as other time varying events, might have impacted migrants on the outcomes we observe in both waves.

We are still careful in drawing too many conclusions from this exercise for at least two reasons. First, because this design breaks the logic of random sampling and thus compromises our ability to make inference about the parameters of the underlying population of interest: i.e., Venezuelan migrants in Peru. Second, even if we create more comparable units by enforcing common support on relevant covariates, we still cannot attribute observed differences between waves exclusively to the pandemic. First, because between waves, other events took place (e.g., changes in migration

¹¹ The sampling methodology employed in ENPOVE II does not allow for an exact estimate of the total Venezuelan population residing in Peru. Consequently, this report primarily utilizes the survey data to profile the Venezuelan demographics and labor market outcomes, resorting to figures from the GTRM (R4V) and government estimations for overall population statistics.

policy in Peru but also in other countries) possibly connected to migrants' integration.¹² Second, because the overtime comparison also incorporates the impact of migration itself on migrants' prospects.

To further explore the ways in which the composition of migrants has changed over time, for a set of indicators, we disaggregate results from ENPOVE II by the year in which the respondent entered Peru. While this approach solves the problem of different sampling procedures between waves, we only focus on indicators that characterize the profile of the migrants (e.g., level of education), and not on outcomes (e.g., income) because the latter bundles: i) migration effects for those who've been migrants in the country for longer and ii) changes in the composition of migrants in characteristics that can affect outcomes (e.g., education as we show). Much of the analysis involves comparisons with other sources, including the National Household Survey (ENAHO for its Spanish acronym), the Survey of Perceptions about Venezuelan migration in Peru, and a survey on digital mobility and delivery platforms in Peru, which are described in Annex 1.

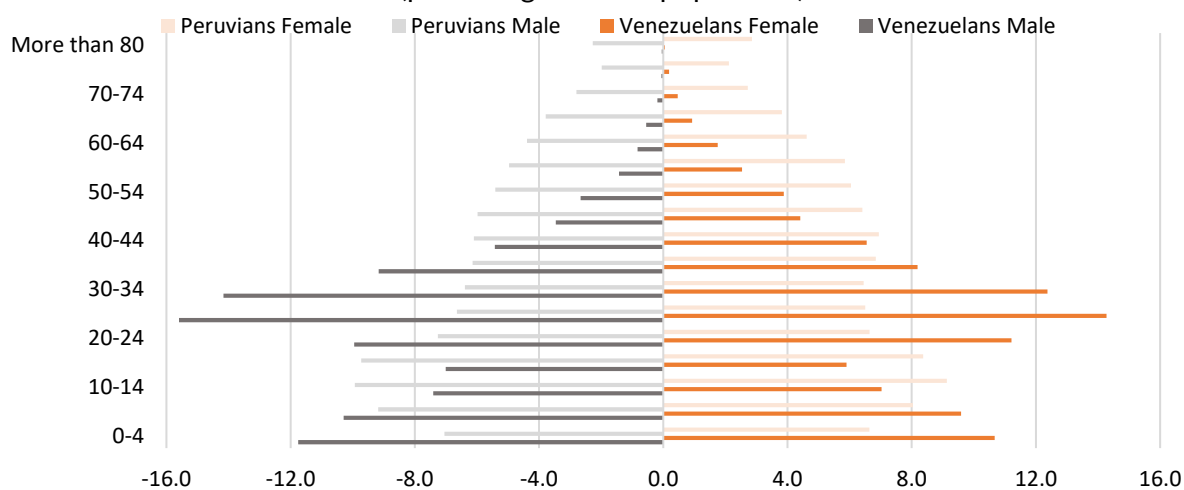
Venezuelan migrants and refugees of working age

Most Venezuelan migrants and refugees are in the peak of their productive ages. The dependence ratio in Peru, measured as the ratio of the population under 14 and over 65 to the population between 15 and 65, is 57 percent in 2022, compared to 42 percent among Venezuelan migrants and refugees. Moreover, while 64 percent of the Peruvian population is between 15 and 64 years old, this proportion increases to 70 percent among Venezuelan migrants and refugees (Figure 1). Differences along the gender lines are also striking. About 71 percent of Venezuelan women are of working age compared to 65 percent of Peruvians and while 70 percent of the Venezuelan men are between 15 and 65 years old, that share is only 63 for Peruvians. Furthermore, the population between 20 and 35 years of age accounts for 39 percent of the Venezuelan population, which is significantly higher than the share for Peruvians (20 percent). As discussed at the end of this section, the large influx of comparatively younger population from Venezuela provides an opportunity to take further advantage of the demographic dividend¹³.

¹² One alternative would be to exploit respondents' level of exposure to the pandemic using number of deaths in their area of residence, but we opt not to do this because there is limited fine-grained variation in our sample (most people are concentrated in very few cities) and also for the known problems of using COVID deaths as a measure of severity (including the quality of the data but also other phenomena hidden by this indicator, such as state capacity).

¹³ Refers to the boost in economic productivity that occurs when there are growing numbers of people in the workforce relative to the number of dependents.

Figure 1. Distribution of the Venezuelan and Peruvian population by sex (percentage of total population)

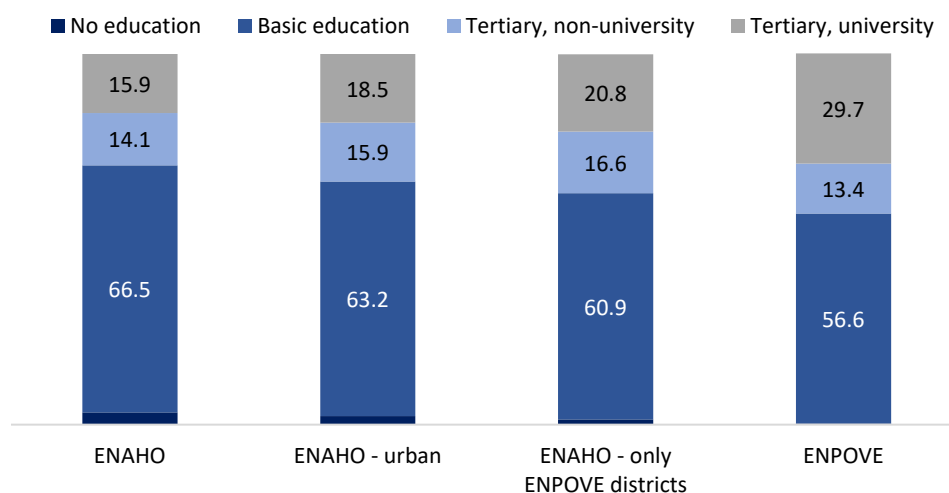


Source: Estimates based on ENPOVE II and ENAHO 2022.

Venezuelans have, on average, more years of education than Peruvians. According to estimates from ENPOVE II¹⁴, 94 percent of the Venezuelan migrants and refugees between the ages of 14 and 65 completed their highest level of education in their home country, and only the remaining 6 percent completed it in Peru. Moreover, Venezuelans over the age of 14 years have attained higher levels of education than Peruvians. About 57 percent of Venezuelans completed at least basic education, compared to 67 percent of Peruvians in the same age group. In particular, it is even lower than the average for Peruvians living in the districts sampled by the ENPOVE II (61 percent). Moreover, while 30 percent of Venezuelans have attained university tertiary education, only 21 percent of Peruvians living in the same areas have done so (Figure 2).

¹⁴ INEI, 2022.

Figure 2. Educational level by working age population
(percentage of population above 14 years old)

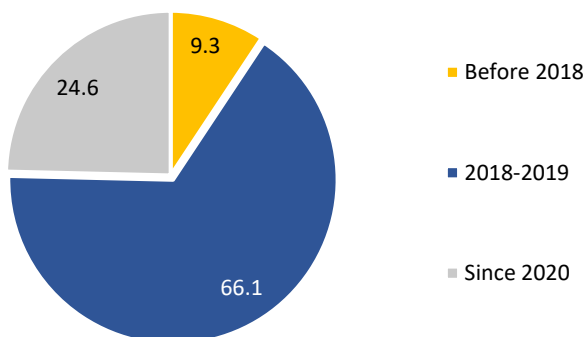


Note: University tertiary education includes master and doctoral programs.

Source: Estimates based on ENPOVE II and ENAHO 2022.

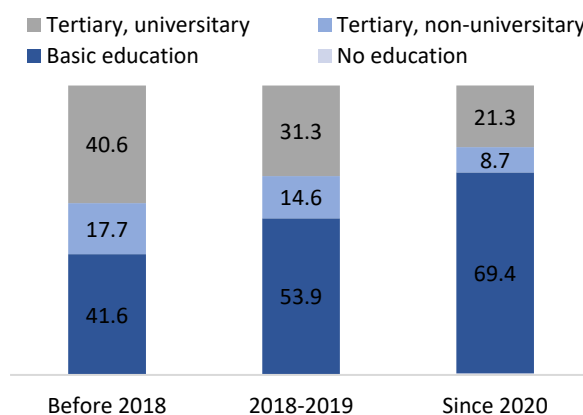
Most Venezuelan migrants and refugees living in Peru arrived between 2018 and 2019, and those who arrived since 2020 achieved lower levels of education than previous cohorts. Two thirds of Venezuelan migrants and refugees of working age arrived between 2018 and 2019, prior to the COVID-19 pandemic. Almost a quarter arrived since 2020 and only 9 percent had arrived before 2018. Of those entry cohorts, Figure 4 shows that those arriving before 2018 achieved higher educational levels. For instance, 41 percent had university studies, but that proportion decreased to 31 percent for the 2018-2019 entry cohort and to 21 percent for those that arrived since 2020. The changes in educational attainment observed among the most recent migration cohorts are mostly attributed to the way in which families decide to migrate. The first migrants are typically individuals with higher levels of education and skills levels, who aim to pave the way and facilitate the subsequent relocation of other family members, who join them after a few years.

Figure 3. Distribution of working age population by entry year cohort (percentage of population above 14 years old)



Source: Estimates based on ENPOVE II.

Figure 4. Educational level of working age population by entry year cohort (percentage of population above 14 years old)

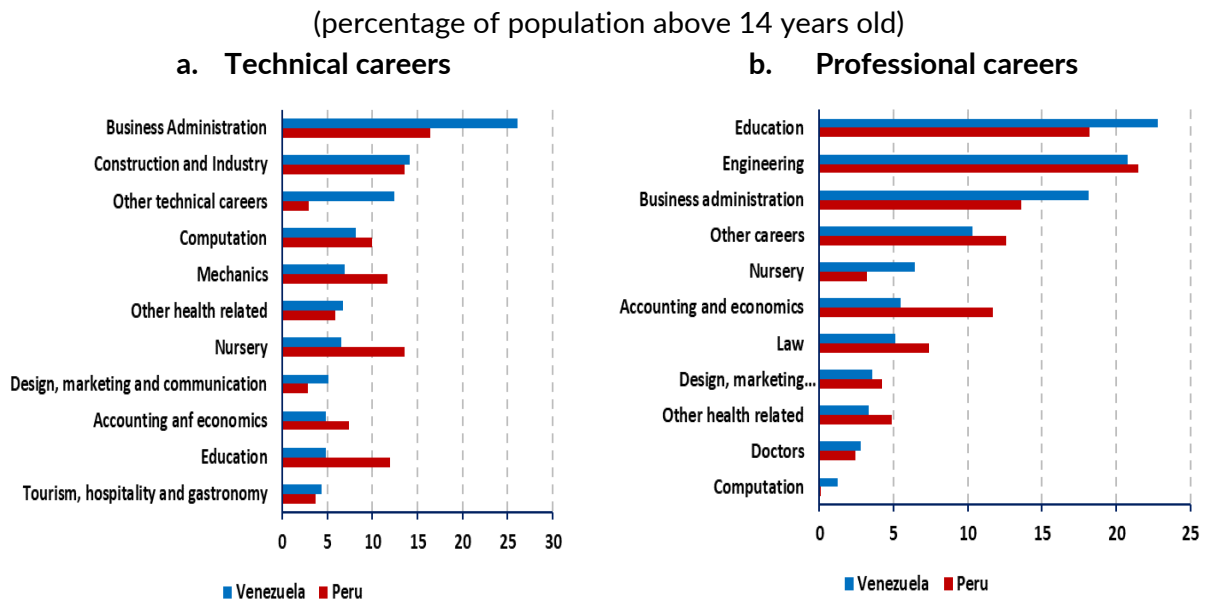


Source: Estimates based on ENPOVE II.

Highly educated Venezuelans have studied business administration, construction, and industry-related technical careers as well as education and engineering at the university level. Figure 5 shows that 26 percent of Venezuelans that completed technical education studied business administration, followed by construction and industry (14 percent), and approximately 30 percent computation, mechanics, nursery, and other health-related careers. Furthermore, among those who completed university studies (Figure 6), 23 percent studied education, followed by engineering (21 percent), and business administration (18 percent)¹⁵. The distribution of technical and professional careers among Peruvians is very similar, with some exceptions in technical studies (education and nursery), and in professional studies (accounting and economics); careers where Peruvians are comparatively more concentrated than Venezuelan migrants.

¹⁵ In Lima Metropolitana, Chorrillos and San Martín de Porres concentrate 21 percent of the highly educated (those that achieved tertiary education) Venezuelan migrants. By zones, “Lima centro” concentrates 31 percent of this population, followed by “Lima norte” (29 percent), “Lima este” (24 percent), and “Lima sur” (17 percent).

Figure 5. Technical and professional careers among Venezuelans that completed their studies



Source: Estimates based on ENPOVE II.

Note: Includes individuals with master and doctoral degrees.

Source: Estimates based on ENPOVE II.

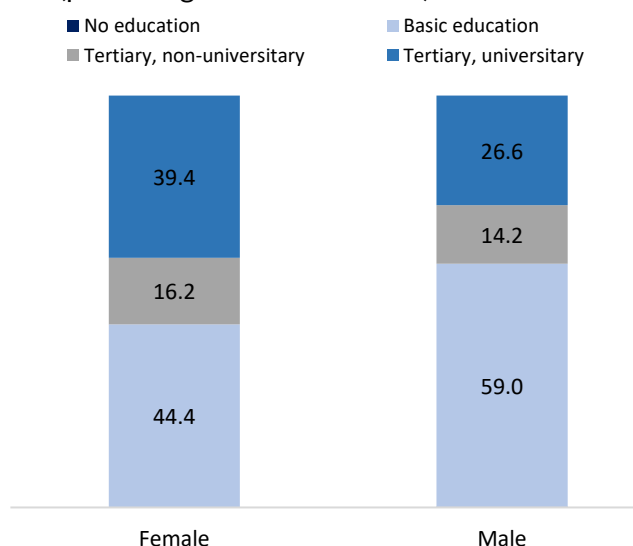
Among Venezuelan workers, women are more educated than men and they account for most workers that achieved university studies¹⁶. In terms of educational attainment, women are more educated than men. About 40 percent of Venezuelan female workers achieved university tertiary education, which is significantly higher than the proportion for men (27 percent). Furthermore, women represent 54 percent of the workers that achieved university studies and only 35 and 37 percent of those that achieved no education or basic education.

¹⁶ Among Peruvians, there are no meaningful differences by sex. For instance, while 33 percent of women achieved university tertiary education, that proportion arises to 32 among men. Also, they only represent 46 and 45 percent of those that achieved university and non-university tertiary education, respectively.

Figure 6. Educational level of Venezuelan workers by sex

a. Distribution

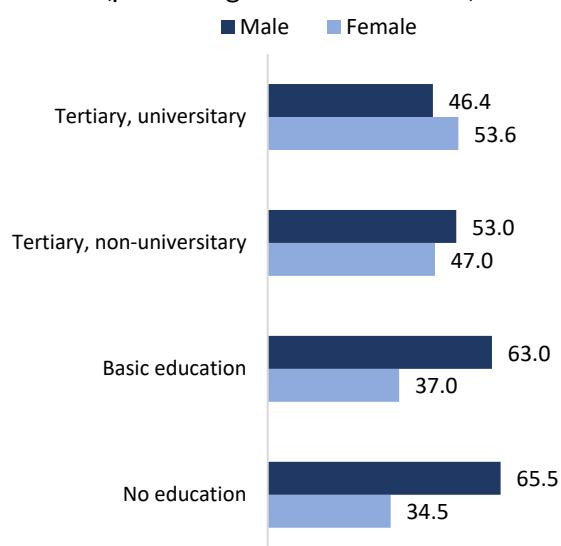
(percentage of total workers)



Source: Estimates based on ENPOVE II.

b. Composition

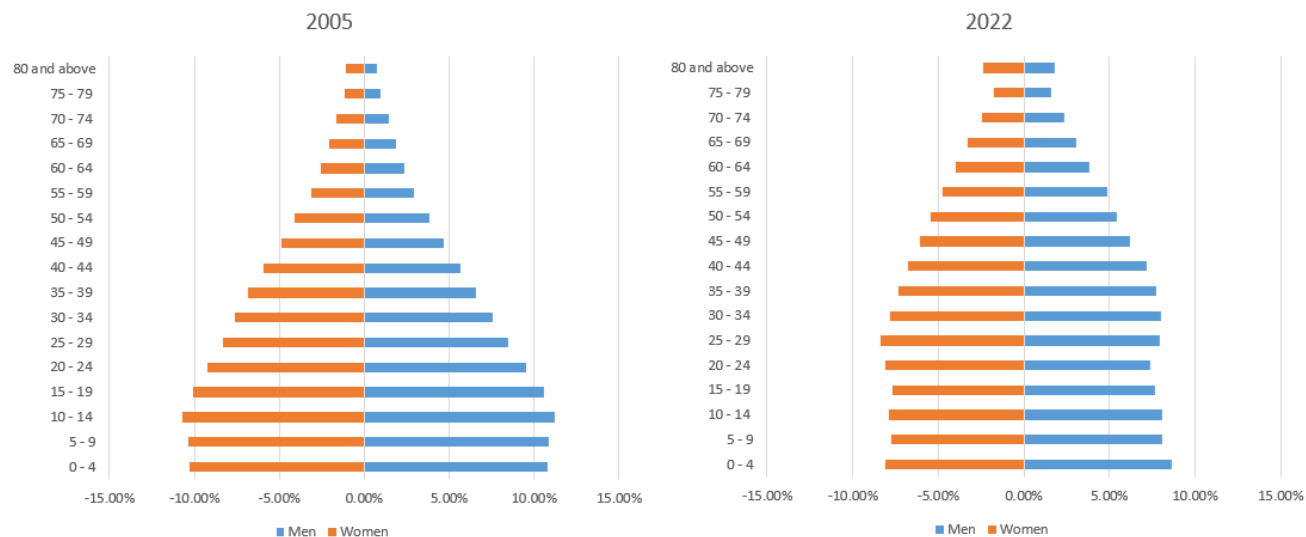
(percentage of total workers)



Source: Estimates based on ENPOVE II.

The large influx of the Venezuelan population could increase the benefits of the demographic dividend in Peru even further. According to the INEI, between 1965 and 1970, the dependent population reached its peak as a proportion of the working age population. At that time, for each working age person there was almost one dependent. Since then, the dependence rate has continuously decreased and therefore, the potential burden borne by people of working age reached its lowest level in 2021. However, according to INEI's estimates, population aging is set to accelerate due to the rapid increase of the working age population, the reduction of the population under 15 years old and the growth of the older population. This trend has been evident since 2005, which is when the demographic bonus is estimated to have begun. The share of the total population under 15 years old has declined by nearly 8 percentage points between 2005 and 2022, with an even steeper decrease of 12 percentage points for the population under 25 years old (Figure 7). In contrast, individuals aged 40-64 now account for 27.3 percent of the total population in 2022, an increase of 7 percentage points since 2005. Furthermore, the share of senior population (aged 65 and older) has almost doubled since 2005, rising from 5.5 percent to 9.4 percent. This demographic bonus is expected to last for at least the next two decades, until 2045. Thus, the Venezuelan migration represents a unique opportunity for the country to prop up economic growth and development as benefits of the demographic bonus. However, the outcome will depend on the quantity and quality of employment available for new cohorts entering working age and its impact on labor productivity (Huarancca and Castellares 2021).

Figure 7. Peru population pyramid, 2005 and 2022
(percentage of total population by sex)

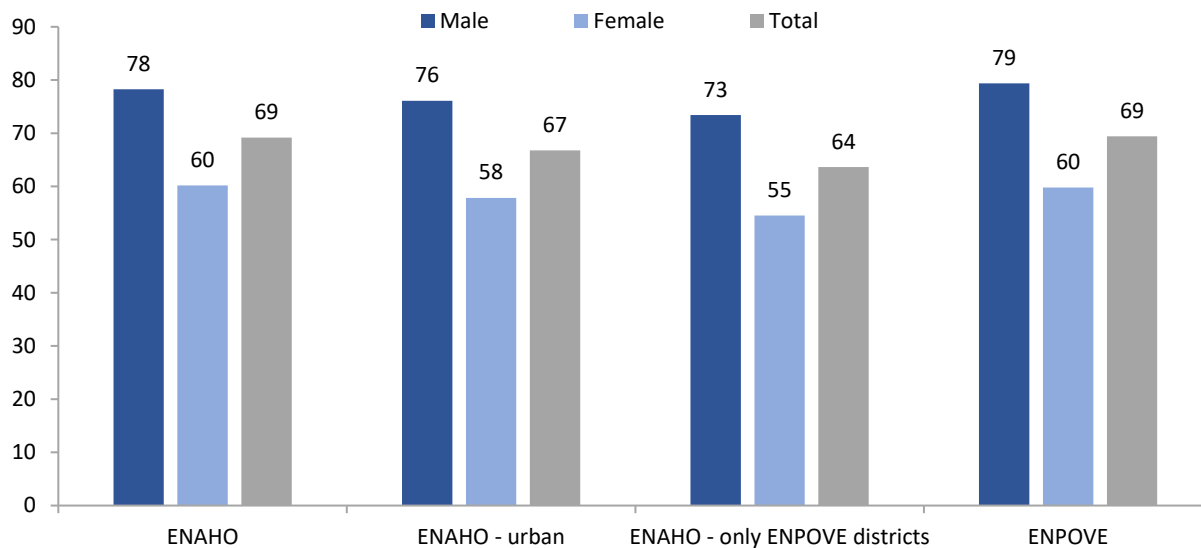


Source: World Bank based on INEI's estimates and projections.

Venezuelans in the Peruvian labor market

Most Venezuelan migrants and refugees have massively entered the Peruvian labor market. According to ENPOVE II, the labor force participation rate among the Venezuelan working age population is 69 percent, which is similar to the average among Peruvians, but higher compared to people living in urban areas (67 percent) and in the districts sampled by the ENPOVE II (64 percent) (Figure 8). However, female labor force participation among Venezuelans, although similar to that of Peruvian women, lags behind men's, despite having higher levels of education. The labor force participation rate for Venezuelan women is 60 percent and 79 percent for men. This gender disparity in participation cannot be explained by differences in school enrollment. While only 5.3 percent of men are not in education, employment or training (NEET), this share significantly rises to almost 27 percent among Venezuelan women. This gender gap in participation appears to stem from the difference in time allocated to childcare responsibilities, with women dedicating significantly more time to this compared to men. The high labor force participation among Venezuelan migrants is primarily driven by their urgent need to generate income upon arrival, as they cannot afford to remain unemployed. Consequently, a substantial portion of them find employment in either informal or low-quality jobs, some of which have precarious working conditions, despite being more educated than native workers in similar positions, as explained later in this section.

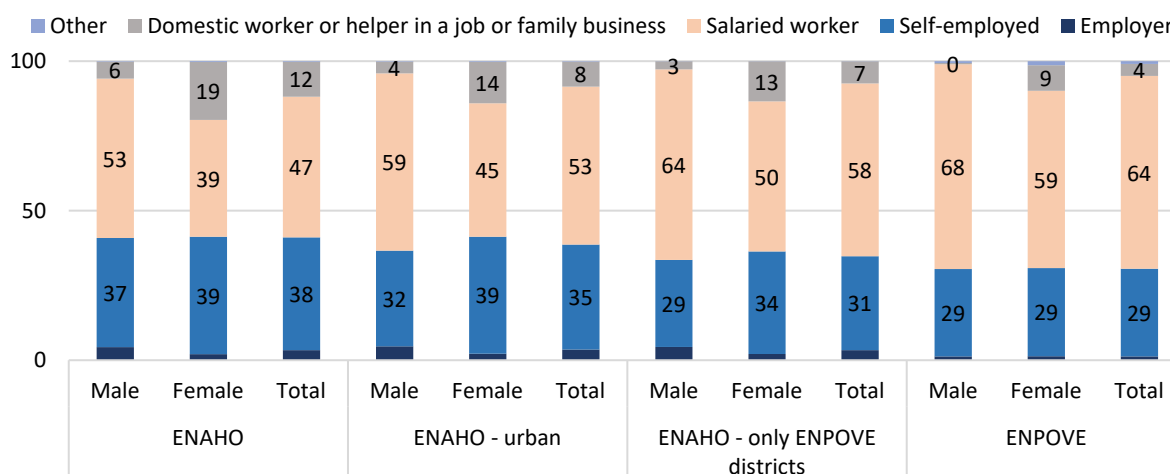
Figure 8. Labor force participation rate by gender
(percentage of population above 14 years old)



Source: Estimates based on ENPOVE II and ENAHO 2022.

Venezuelans are more likely to be employed as salaried workers than Peruvians. Only one percent of Venezuelan workers are employers, while 29 percent are self-employed, and 64 percent are salaried workers (Figure 9). Among the Peruvian population living in ENPOVE districts, the percentage of employers rises to 3 percent, 31 percent are self-employed, and 58 percent are salaried workers. There are also significant differences. For instance, among women, 50 percent of Peruvians are salaried workers, compared to 59 percent of Venezuelans. In addition, 13 percent of Peruvian women are domestic workers or contribute to family businesses, which is slightly higher than the percentage among Venezuelans (9 percent). Among men, 64 percent of Peruvians are salaried workers, lower than the share among Venezuelans (68 percent).

Figure 9. Occupational category by sex
(percentage of total workers)

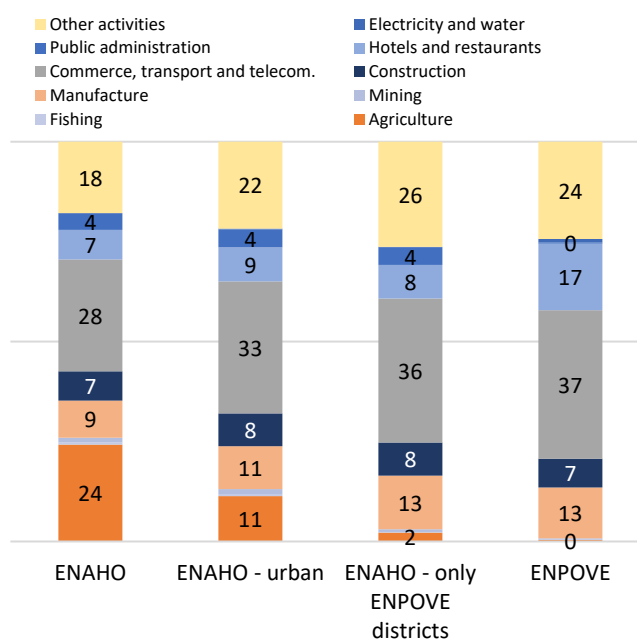


Source: Estimates based on ENPOVE II and ENAHO 2022.

Two thirds of Venezuelan workers are employed in the services and hospitality sector. Most Venezuelan workers are employed in commerce, transport, and telecommunications (37 percent); hotels and restaurants (17 percent); and manufacture (13 percent) (Figure 10). Overall, these three sectors concentrate two thirds of Venezuelan workers. A comparison with data from ENAHO indicates that there are similarities between the Venezuelan population and local workers living in the same areas. Nonetheless, a difference that stands out is that Venezuelan workers are 9 percentage points more likely to be employed in hotels and restaurants than Peruvians living in the same areas surveyed by ENPOVE.

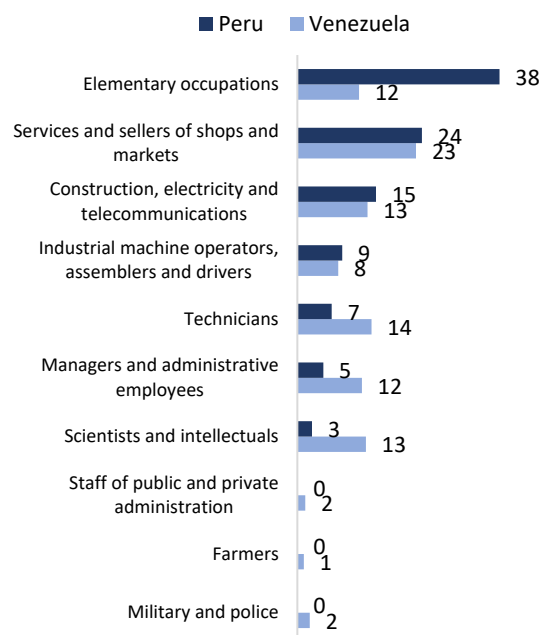
Working conditions of Venezuelans have significantly changed and they have moved to more elementary occupations. About 78 percent of Venezuelans workers in Peru had work in their home country before starting their journey to Peru. However, the distribution by occupation type has significantly changed, except for people in the services sector, who account for approximately 23 and 24 percent of employment in Venezuela and Peru, respectively. Specifically, Venezuelan workers have moved to more elementary occupations. The proportion of workers in these activities while in Venezuela was only 12 percent but it reaches 38 percent in Peru (Figure 11). Accordingly, the proportion of workers employed as technicians, managers and administrative employees and scientists and intellectuals has decreased from 39 percent in Venezuela to only 14 percent in Peru.

Figure 10. Distribution of workers by economic activity (percentage of total workers)



Source: Estimates based on ENPOVE II and ENAHO 2022.

Figure 11. Distribution of workers by occupation in Venezuela and Peru (percentage of total workers)



Source: Estimates based on ENPOVE II and ENAHO 2022.

The transition has been mostly from more qualified occupations towards those that demand fewer skills. Table 1 shows the transition matrix of occupations held in Venezuela towards the occupations of Venezuelan workers in Peru. As most migrants and refugees are concentrated in urban areas it is not surprising that farmers in Venezuela had to move to other activities. Moreover, highly qualified Venezuelans also had notable transitions as they got new jobs in Peru which surely pose challenges in terms of acquiring new skills and most of them are overqualified for the occupations they have in Peru. Namely, scientists and intellectuals moved mainly to elementary occupations (33 percent) or to services and sellers of shops and markets (24 percent). Only 15 percent remained in the same occupation. Similarly, about 67 percent of managers and administrative employees and 53 percent of technicians that held those occupations in Venezuela moved to elementary and other occupations as sellers of shops and markets after arriving to Peru. Despite these transitions, it still stands out that 58 percent of workers in elementary occupations¹⁷ remained as such.

¹⁷ Includes domestic cleaners and helpers; agricultural, fishing and forest laborers; mining, construction, manufacturing and transportation laborers; cooks and food preparation helpers; peddlers; and waste collectors and other elementary occupations.

Table 1. Transition matrix of Venezuelan migrants' occupations in Venezuela to occupations in Peru

(percentage of occupations in Venezuela)

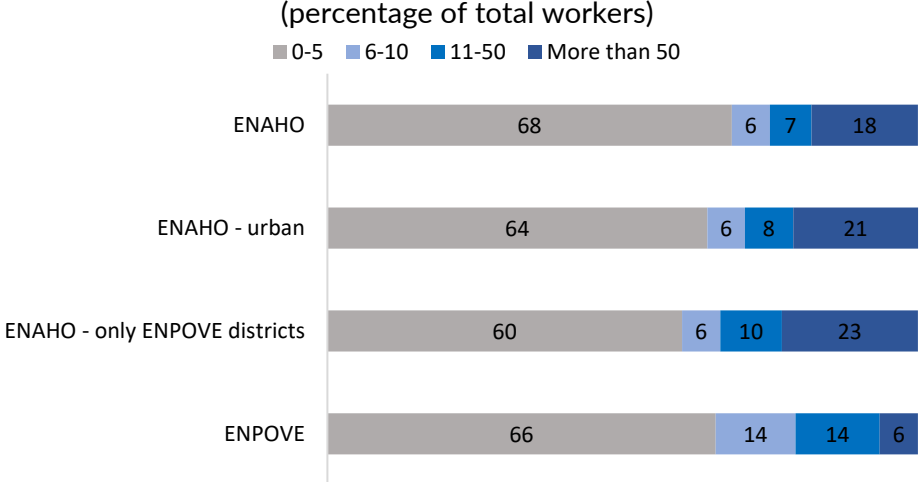
Occupations in Venezuela / Occupations in Peru	Staff of public and private administration	Scientists and intellectuals	Technicians	Managers and administrative employees	Services and sellers of shops and markets	Farmers	Construction, electricity and telecom.	Industrial machine operators, assemblers and drivers	Elementary occupations	Military and police	Total
Staff of public and private administration	0.0	2.8	12.9	7.9	26.1	0.0	9.5	9.7	31.1	0.0	100
Scientists and intellectuals	0.0	15.0	10.3	6.3	24.3	0.0	6.8	4.8	32.6	0.0	100
Technicians	0.0	3.3	15.1	6.3	25.0	0.0	15.7	6.3	28.3	0.0	100
Managers and administrative employees	0.1	0.6	6.4	11.4	29.2	0.0	9.9	4.5	37.8	0.0	100
Services and sellers of shops and markets	0.0	0.7	5.5	4.4	32.5	0.0	10.6	5.4	40.9	0.0	100
Farmers	0.0	0.0	0.0	1.4	20.0	0.0	17.8	7.5	53.4	0.0	100
Construction, electricity and telecommunications	0.2	0.4	2.2	2.2	15.6	0.0	36.8	10.0	32.6	0.0	100
Industrial machine operators, assemblers and drivers	0.0	0.0	2.7	1.5	13.1	0.0	14.5	29.8	38.4	0.0	100
Elementary occupations	0.0	0.4	2.2	2.5	16.4	0.2	14.1	6.1	58.0	0.0	100
Military and police	0.3	0.0	2.1	0.0	16.8	0.0	8.2	26.9	45.7	0.0	100

Source: Estimates based on ENPOVE II.

In addition, Venezuelan migrants and refugees have entered the Peruvian labor market under disadvantaged conditions and are overrepresented in low-quality jobs. According to ENPOVE II results, most Venezuelan workers are employed in low-productivity firms. In fact, 66 percent of Venezuelan workers in Peru are employed in microenterprises, a larger proportion than comparable Peruvian workers (60 percent). While only 6 percent of Venezuelan workers are employed in firms of more than 50 workers, that proportion increases to 23 percent among Peruvians living in similar areas (Figure 12). Importantly, the productivity of microenterprises in

Peru is only 6 percent of the productivity of large firms, while in Colombia and in Organization for Economic Cooperation and Development (OECD) countries the share is 41 and 57 percent, respectively (World Bank, 2023).

Figure 12. Distribution of workers by firm size

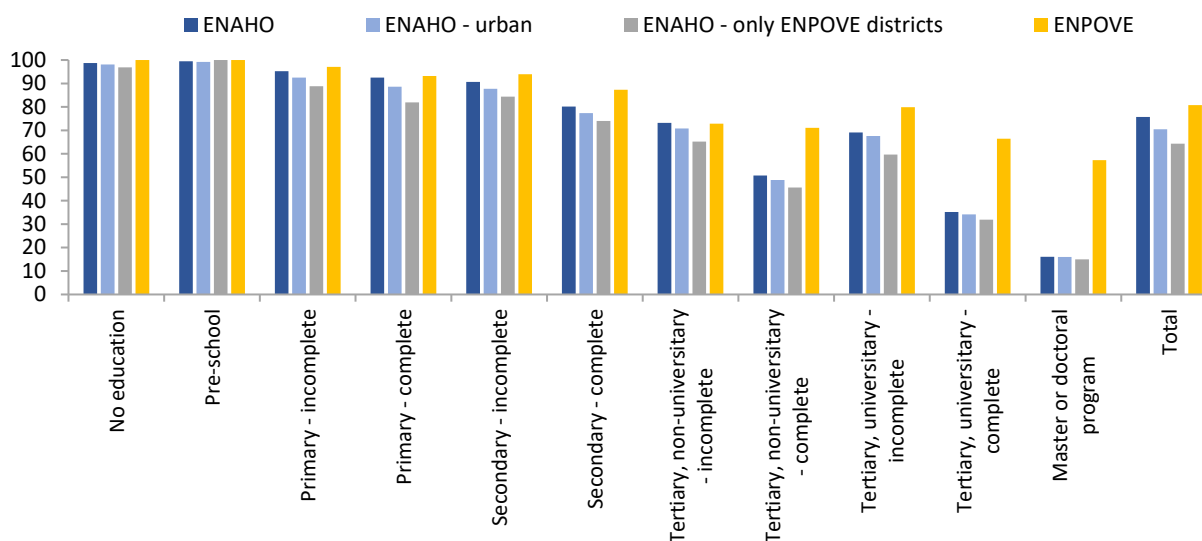


Source: Estimates based on ENPOVE II and ENAHO 2022.

Four out of five Venezuelan workers are informal, a higher share compared to the already elevated informality rate among Peruvian workers across all education levels Estimates from ENAHO 2022 and ENPOVE II indicate that informality is higher among Venezuelan workers compared to several samples of Peruvian workers. When comparing informality levels with Peruvians in the same districts where ENPOVE was conducted (i.e., using ENAHO but restricting it to ENPOVE districts, in Figure 12), the gap in informality is higher than comparisons with urban workers and all workers. Eight out of 10 Venezuelan workers lack job contracts (i.e., are informal), while this proportion rises to 76 percent for all Peruvian workers, 71 percent for those living in urban areas (where most Venezuelans are concentrated), and 64 percent for those living in comparable districts. These differences are consistent at all levels of education. The elevated incidence of informality among Venezuelan workers can be attributed to multiple factors, including their lack of documentation (i.e., work permits and validated education credentials), their comparatively low reservation wage given their pressing need to generate income upon arrival, and to some extent, employers' discrimination.

The informality gap is even larger among highly educated workers. While the informality rate for Venezuelan workers with a non-university tertiary education is 71 percent, it is only 46 percent for Peruvian workers living in comparable districts (Figure 13). Similarly, the informality gap rises to 35 percentage points for those with a university degree and 42 percentage points for those with a master's or doctoral degree. Importantly, most informal workers are concentrated in small firms, an indicator that is often associated with informality (Figure 14).

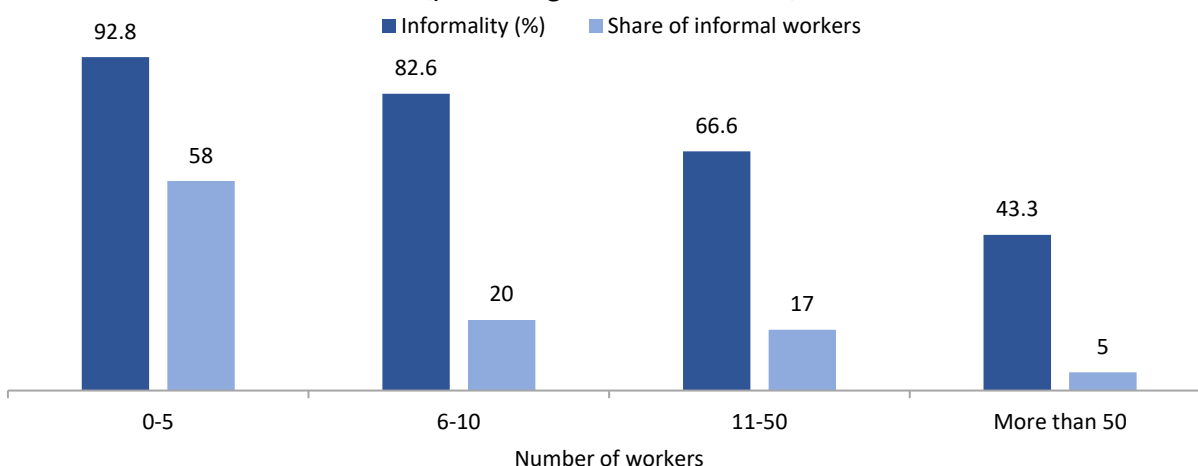
Figure 13. Informality rate by latest educational level attained, 2022
(percentage of total workers)



Note: For ENPOVE II, informality accounts for the percentage of workers that do not have a job contract.

Source: Estimates based on ENPOVE II and ENAHO 2022.

Figure 14. Informality rate and share of informal workers by firm size, 2022
(percentage of total workers)

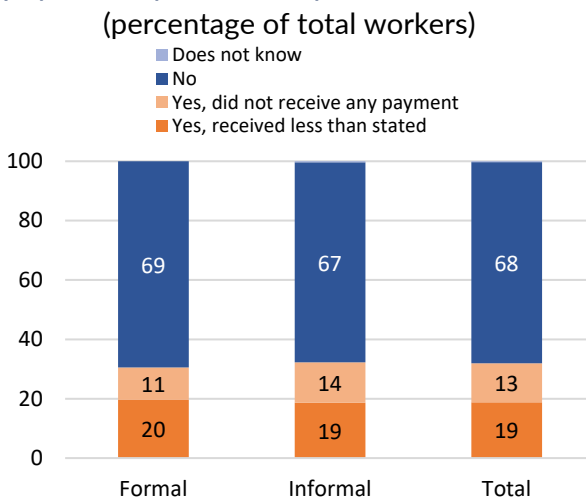


Source: Estimates based on ENPOVE II.

A third of informal workers performed an activity without receiving the agreed payment. Although 67 percent of informal Venezuelan workers received the agreed payment when they worked in Peru, 14 percent did not receive any payment and 19 percent received less than initially agreed (Figure 15). In contrast, formal workers experience less nonpayment, although the difference is relatively small. While 11 percent of formal workers did not receive any payment, 20 percent received less than agreed. Moreover, non-compliance rates (i.e., not receiving the agreed

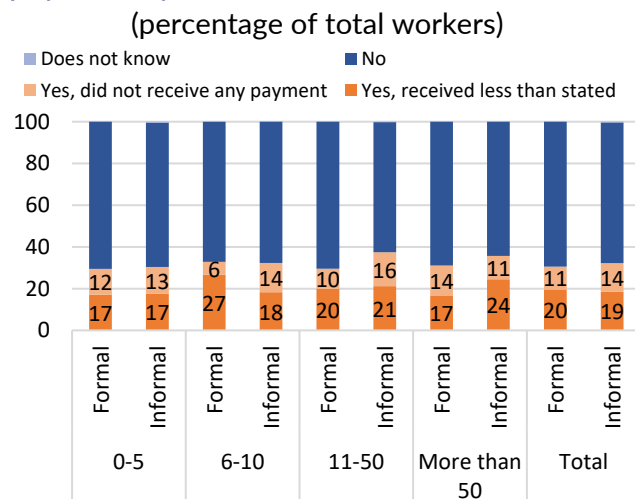
payment whether it means less or any payment) are above 29 percent regardless of the size of the firm and the level of informality. In particular, the non-payment rate reaches 35 percent among informal workers in firms with more than 50 workers, although the informality level for this firm size is only 43 percent (Figure 16). Furthermore, electricity and water, construction, and agriculture concentrate the highest share of workers that have not received the agreed payment while working (Figure 17). In these three sectors the proportion of workers that did not receive any payment or less than agreed increases to at least 40 percent. Meanwhile, fishing, public administration, and mining are the sectors in which levels of compliance with the agreed payment are the highest.

Figure 15. Workers that performed any activity without receiving the agreed payment by informality status¹⁸



Source: Estimates based on ENPOVE II.

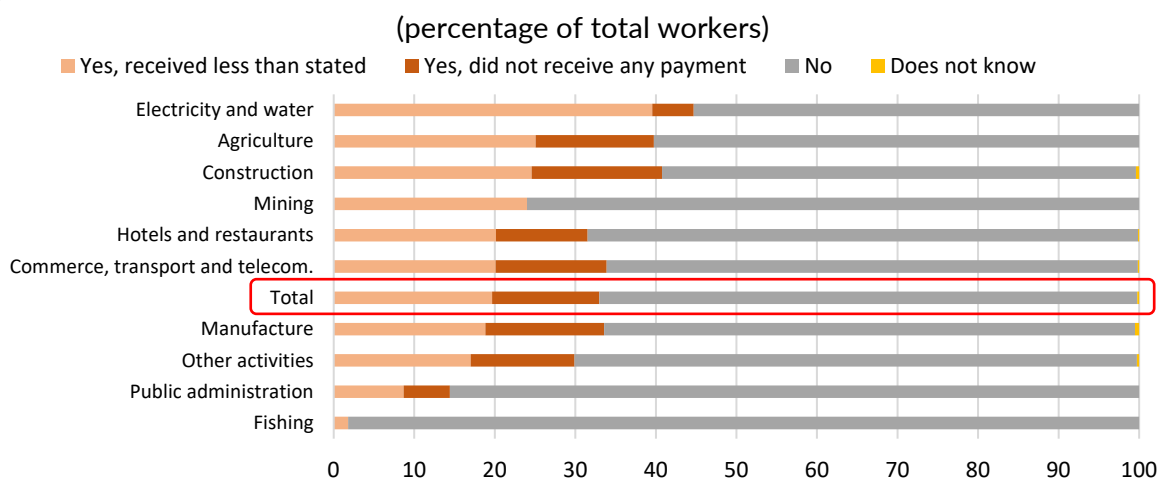
Figure 16. Workers that performed any activity without receiving the agreed payment by firm size



Source: Estimates based on ENPOVE II.

¹⁸ The question reads: "Have you worked in Peru or performed any activity without receiving the agreed payment?"

Figure 17. Workers that performed any activity without receiving the agreed payment by economic sector

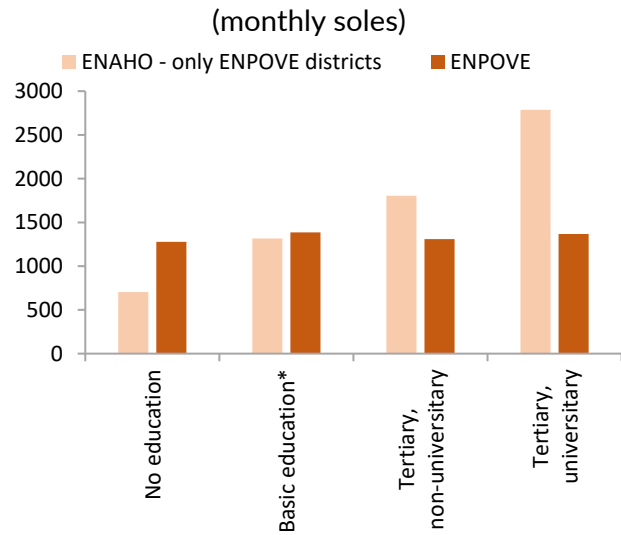


Source: Estimates based on ENPOVE II.

A substantial share of Venezuelan migrants finds their income insufficient to meet their basic needs. According to the ENPOVE II, about 40 percent of migrants and refugees struggle to meet their income generation and employment-related necessities, a percentage that rises to 42 percent for women compared to 39 percent for men. This is primarily attributed to the concentration of Venezuelan workers in low quality, low productivity jobs, and their obligation to send remittances to their families in Venezuela. Coupled with their limited access to public services, this situation renders most migrants and refugees highly vulnerable in the face unexpected income shock.

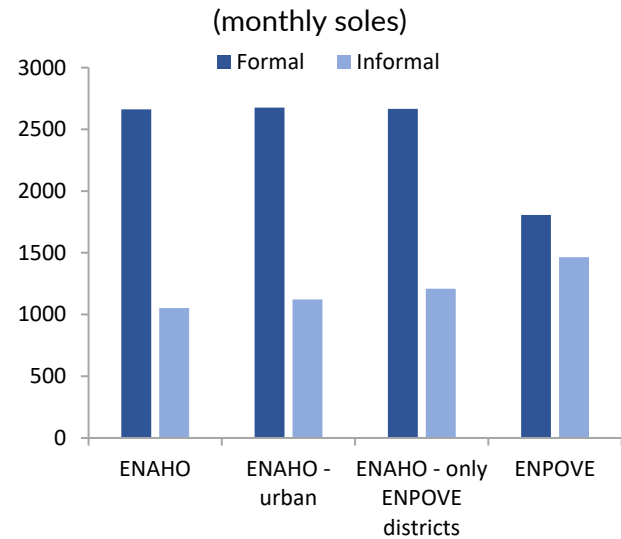
Venezuelan migrants earn, on average, less than comparable Peruvians, yet this gap is mostly driven by differences among highly educated workers. The labor income of Peruvian workers increases monotonically with their level of education; whereas the income profile of Venezuelan workers remains completely flat, indicating that their income is essentially constant regardless of their education level (Figure 18). While Venezuelan workers with basic education earn the same as their Peruvian counterparts, migrants and refugees with tertiary education face a significant decline in earnings relative to native workers. This reduction is particularly pronounced among individuals with a university degree, with Venezuelan workers in this education level earning only half as much as Peruvian workers. Moreover, the percentage change in average income between informal and formal Venezuelan workers is only 23 percent (regarding informal worker's labor income) while for Peruvians it is 120 percent (Figure 19). Interestingly, the Venezuelan workers who entered in 2020 appear to have slightly higher returns to formality, compared to their counterparts who entered in previous years (Figure 20).

Figure 18. Monetary income by educational level



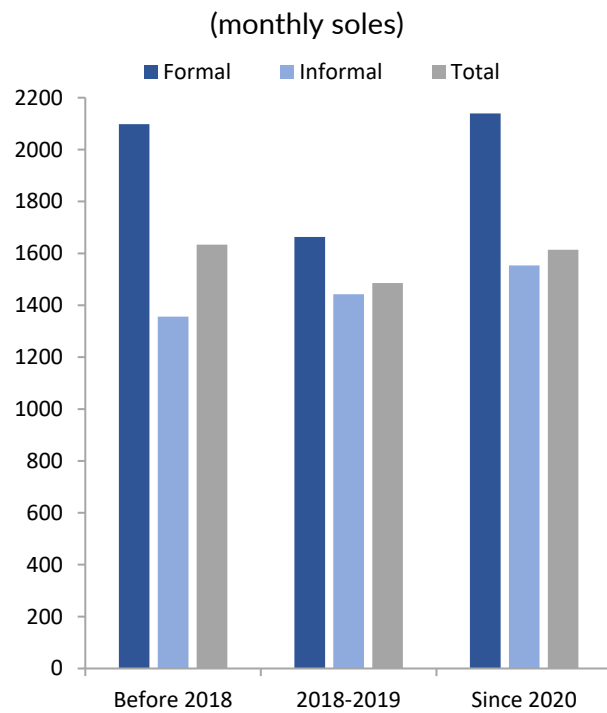
Source: Estimates based on ENPOVE II and ENAHO 2022.

Figure 19. Monetary income by informality level



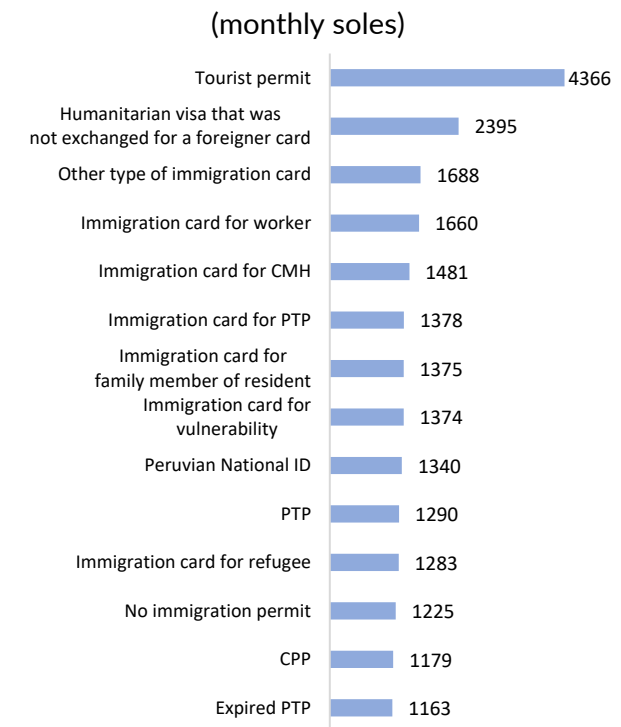
Source: Estimates based on ENPOVE II and ENAHO 2022.

Figure 20. Monetary income by entry cohort



Source: Estimates based on ENPOVE II.

Figure 21. Monetary income by migration status



Source: Estimates based on ENPOVE II.

Venezuelans work more hours per week than Peruvians, and except for those with no education, earnings per hour are significantly lower among Venezuelan migrants and refugees. At all levels of education, Venezuelans work more hours per week than comparable Peruvians (i.e., those living in the same districts). For instance, among those with no education, Venezuelans work 54 hours per week while Peruvians work 38 hours. Likewise, among those with a university degree, Venezuelans work 52 hours, while Peruvians work 43 hours (Figure 22). Overall, Venezuelan workers have to work more hours per week to compensate for lower earnings per hour. Except for those with no education, Venezuelan workers perceive lower earnings per hour than Peruvians, and the gap widens for higher levels of educational attainment. Among individuals with only basic education the gap is 1 sol (7.5 soles per hour for Peruvians compared to 6.5 soles for Venezuelans). However, for those with a university degree, the gap increases to 9.6 soles, as Venezuelans perceive on average the same as if they had only a basic education, but Peruvians perceive 16.1 soles per hour (Figure 23).

Figure 22. Hours worked per week at all their occupations

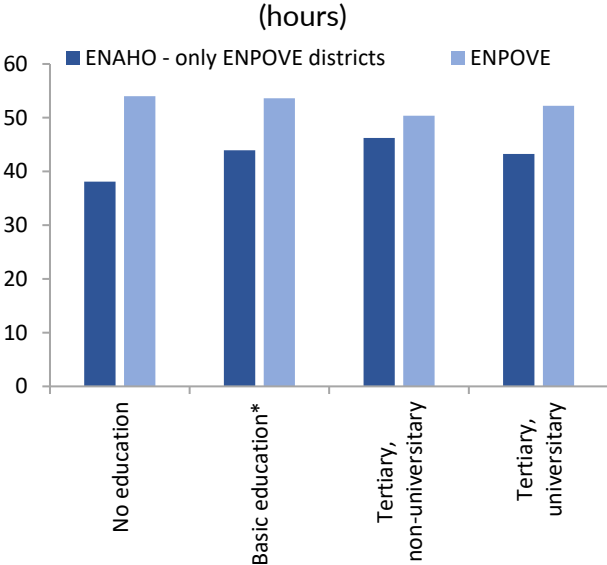
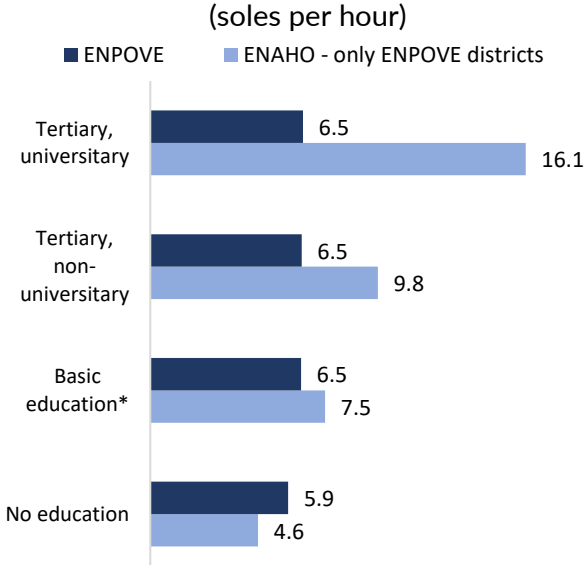


Figure 23. Income per hour worked in all occupations



Source: Estimates based on ENPOVE II and ENAHO 2022. Source: Estimates based on ENPOVE II and ENAHO 2022

Participation of Venezuelan workers in digital platforms

The pandemic represented an opportunity for the development of the digital economy in Peru, mainly for delivery platforms. According to a recent study on the impact of the digital economy in Peru,¹⁹ conducted by the Peruvian Institute of Economics (IPE by its Spanish acronym) between March and June 2020, the use of mobility platforms has decreased significantly. For instance, in April 2021, there were 5.6 million of mobility services, representing a decrease of 60 percent

¹⁹ The study covered 58 thousand associates, 866 thousand users and 4.6 thousand firms allied to both mobility and delivery platforms. In particular, for mobility, the study included Beat, Cabify, Didi, Directo, InDriver and Uber while for delivery it included Cornershop, Fazil, PedidosYa and Rappi.

compared to the pre-pandemic scenario (January 2020). In contrast, COVID-19 restrictions increased the demand for delivery services, which nearly doubled over the same period. In both services, the number of associates of these platforms evolved accordingly.

Venezuelans have a significant participation in Peru’s digital platforms. Given that Venezuelans are mainly located in Lima Metropolitana and Callao, and that these regions concentrate most of the services provided by digital platforms, the pandemic represented an important alternative for income generation for this population. In fact, according to the study, 63 percent of drivers and 68 percent of delivery associates (i.e., self-employed workers or intermediaries) surveyed started using these platforms since the pandemic. Moreover, 10 percent of drivers and 53 percent of delivery associates are from Venezuela. It is estimated that by April 2021, there were 4.9 thousand drivers and 7.2 thousand delivery associates from Venezuela, representing 1.3 percent of the total Venezuelan workforce in the country²⁰.

Among associates of digital platforms, Venezuelans also have a higher level of educational than Peruvians. The study shows that foreign associates of these platforms (who are mostly from Venezuela) have achieved a higher level of education than their local counterparts. For example, 34 percent of the foreign respondents have a university degree, compared to only 10 percent of Peruvians.

Figure 24. Country of origin of drivers and delivery associates (percentage of total associates)

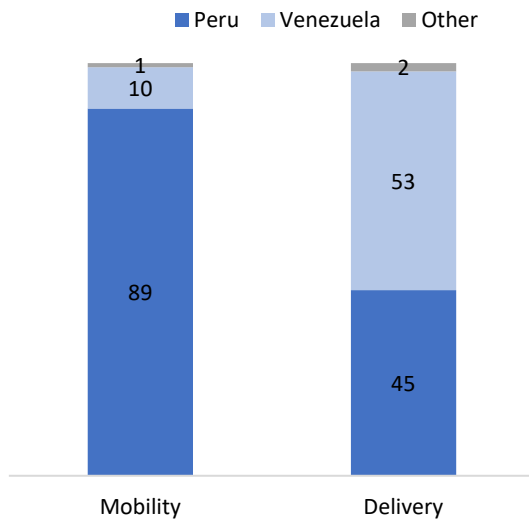
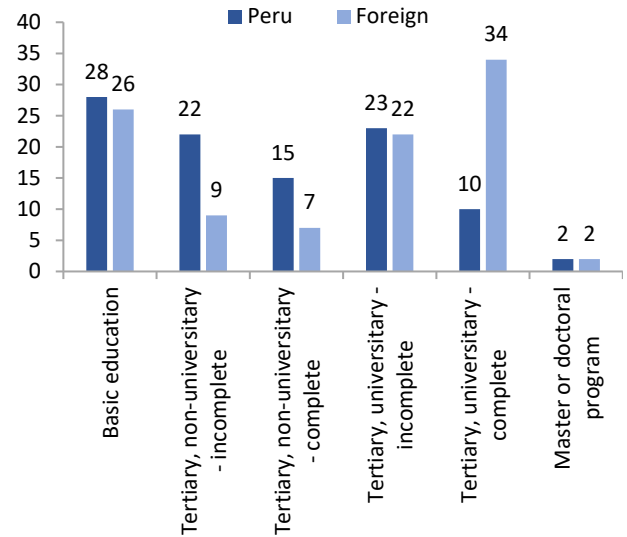


Figure 25. Highest educational level achieved by associates and nationality (percentage of total associates)

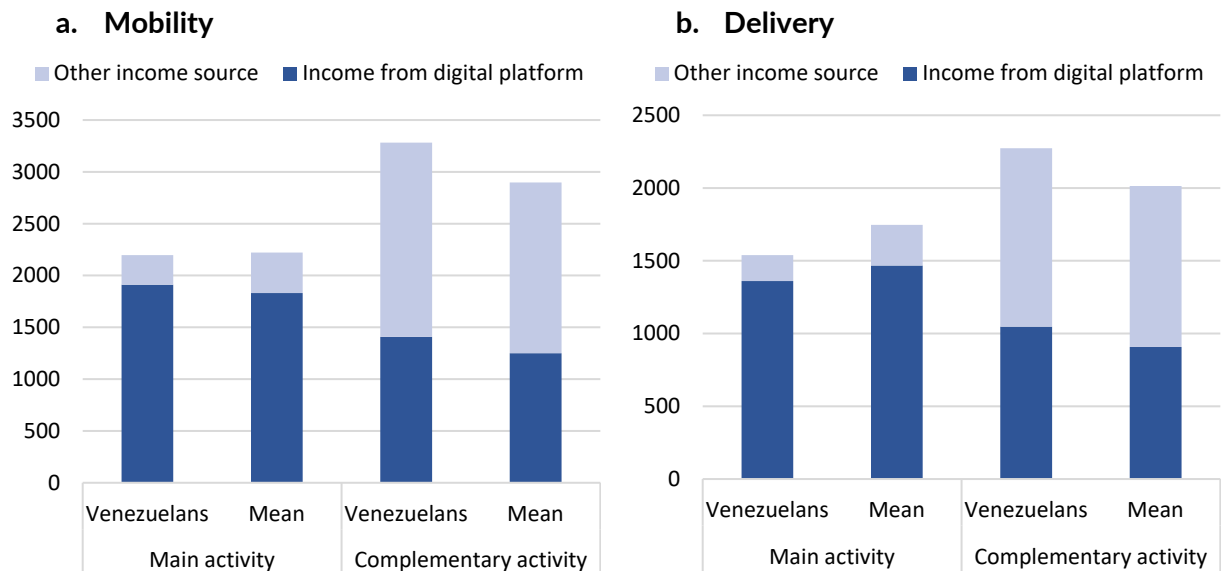


Source: IPE, 2021. “Impact of digital platforms in the Peruvian Economy”.

²⁰ In April 2021, workers from digital platforms represented 1.4 percent of total occupied workers in Lima Metropolitana.

Digital platforms are an important source of income for Venezuelan associates. One of the main benefits of digital platforms for the Venezuelan population is that they allow them to have alternative sources of income. For instance, 36 percent of drivers and 34 percent of delivery associates have a second source of income. In addition, their income level, both as primary and secondary activity, is higher than the average income of all Venezuelan workers (S/ 1090 according to ENPOVE II). Furthermore, the income in mobility is significantly higher than delivery platforms. Moreover, except when they work on delivery platforms as their main activity, Venezuelans perceive higher income than the average.

Figure 26. Monthly income of Venezuelan associates by type of digital platform (soles)



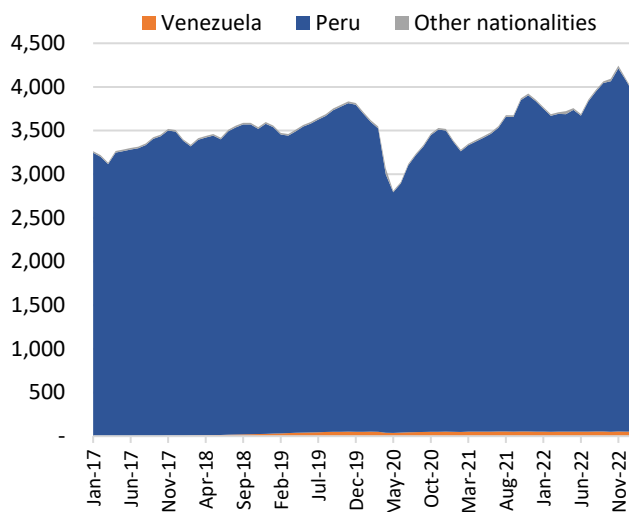
Source: IPE, 2021. "Impact of digital platforms in the Peruvian Economy".

While digital platforms are an important source of employment and income for migrants and refugees, they also render Venezuelans more susceptible to precarious working conditions. These digital platforms are currently facing heavy scrutiny for their non-compliance with current labor and social security regulations, especially among developing countries where enforcement is often lacking. Exploiting the heightened vulnerability of Venezuelans, digital platforms tend to subject workers to long working hours, limited access to healthcare and social security, and reduced benefits, leading to a poor work-life balance. For instance, although the total income earned through these platforms is relatively high compared to other occupations, Venezuelan associates report working an average of 63 hours per week, which translates into a 9-hour daily schedule if they work every day of the week.

The pandemic also disproportionately affected Venezuelan workers in the formal sector, who represented only 1.3 percent of total formal employment in 2023. According to the Ministry of Labor (MTPE), in 2017 only 3.5 million workers in Peru had formal employments and had access to social benefits, such as health insurance, paid leave, and pensions, and therefore experienced high stability. Of these, 99.3 percent were Peruvian, less than 0.2 percent were Venezuelans, and

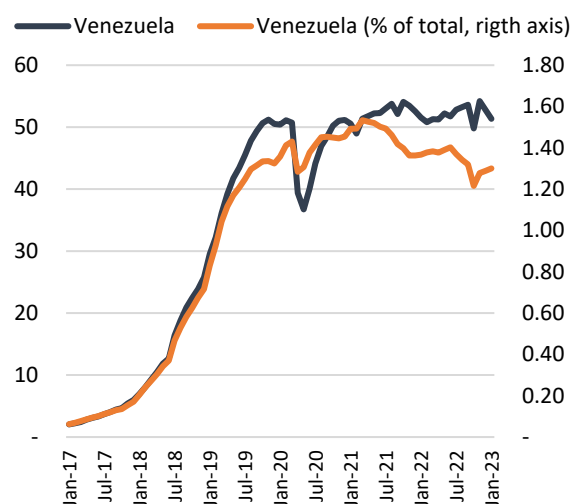
0.5 percent were of other nationalities. In total, at the end of 2017, only 5,992 Venezuelan workers were in the formal sector. In 2018, with the increase of Venezuelan migrants and refugees in the country, their participation in the formal labor market increased significantly to 23,871 workers by December 2018, which represented 0.7 percent of the total formal workers in the country, exceeding the share of other nationalities (0.5 percent). Since then, the participation of the Venezuelan population in formal employment has increased continuously until the arrival of the pandemic (Figure 27). In March 2020, there were 50,726 Venezuelan formal workers, but this number decreased to only 36,725 in May 2020 (-28 percent). This decrease was higher compared to Peruvian workers (21 percent) and other nationalities (22 percent). Moreover, the Peruvian formal labor market has, since then, experienced a recovery. The number of formal Peruvian workers increased by 6 percent between January 2023 and January 2020, while the number of Venezuelan workers increased by only 2 percent. Whereas Venezuelan workers represented at most 1.5 percent of the country's formal workforce, they now account for only 1.3 percent (Figure 28).

Figure 27. Formal workers by nationality, 2017-2023
(thousands of workers)



Note: Corresponds to workers of the private sector.
Source: MTPE-Planilla electrónica.

Figure 28. Evolution of Venezuelan labor force participation in formal labor market
(thousands of workers, % of total workers)



Note: Corresponds to workers of the private sector.
Source: MTPE-Planilla electrónica.

Overall, the significant disparities in labor market outcomes between Venezuelan and comparable Peruvian workers highlight a concerning trend of labor degradation detrimental to migrants, preventing Peru from fully leveraging their potentialities to stimulate economic growth. Venezuelan migrants and refugees in Peru are disproportionately concentrated in low-quality, low-paying, and informal jobs regardless of their education, experience, and skill level. This employment and earnings downgrading is not unique to Peru but is also observed in other

countries in the region such as Colombia (Caruso et al. 2021; Delgado-Prieto 2021) and Chile (World Bank 2021). Moreover, these patterns are consistent with findings from studies on mass migration episodes in various parts of the world. While most studies in the United States document a rapid assimilation rate of immigrants to the wage of comparable natives (LaLonde and Topel 1997; Bratsberg et al. 2006; Villarreal and Tamborini 2018) - albeit this assimilation has slowed down in recent decades (Borjas 2015); studies focusing on the Syrian exodus to Turkey (Del Carpio and Wagner 2015; Tumen 2016; Aksu et al. 2018) and on the Russian migration to Israel in the late 1980s (Eckstein and Weiss 2002; Eckstein and Weiss 2004) report an overall downgrading in the occupational and wage distribution. This downgrading is primarily attributed to the slow adaptation of imported education and experience to the local labor market, especially for Russian migrants (Friedberg 2000; Weiss et al. 2003). Furthermore, the labor degradation observed in the Venezuelan exodus is particularly noteworthy, especially given the relatively higher degree of substitutability between native and migrant workers. Venezuelans share the same language and are more alike in terms of culture, religion, and even skill levels with native workers compared to other mass migration episodes, which should ease their integration into the local labor market (e.g., Peri and Sparber 2009; Cohen-Goldner and Paserman 2011). This labor misallocation underscores that Peru is not harnessing the productive potential of these highly educated migrants and is failing to capitalize on the demographic bonus brought about by this migration episode.

The challenges to integrating Venezuelans into high-quality jobs

This report provides an overview of studies that show how the barriers that migrants face as they try to integrate into the host country's labor market can affect the match between their skills and qualifications and the jobs in which they are employed, their expected wages, and related outcomes. Examples range from work permits to new skills demanded by the emerging market, to language and other types of cultural barriers.

We also analyze the conditions under which Venezuelan migrants and refugees are employed in low quality jobs: low income, no access to job benefits, employment instability and inadequate working conditions (Hovhannisyann et al. 2022). In this section, we focus on specific examples we have identified in the case of Venezuelan migrants and refugees living in Peru. As such, we cover some of the main challenges to the integration of Venezuelan workers in high-quality jobs that match their skills, namely: (i) barriers in the regulatory process to validate their educational credentials, (ii) migration policies and status, and (iii) attitudes towards migration.

While not exhaustive of all the possible barriers Venezuelan migrants have to overcome, these challenges reflect the specific context of Venezuelan migrants and refugees in Latin American countries and exclude from the analysis others that do not render challenges, such as possibly, language barriers. We believe a focus on these three is relevant for at least three reasons. First, these are all challenges with clear implications related to policy instruments governments have at hand and can thus produce meaningful impacts in the short and medium term. Moreover, policy recommendations may be applicable to multiple countries in the region that share similar contexts. Second, the three challenges identified are bottlenecks faced by migrants early in their journey but have longer term consequences (e.g., Hainmueller et al 2023). Thus, overcoming these early

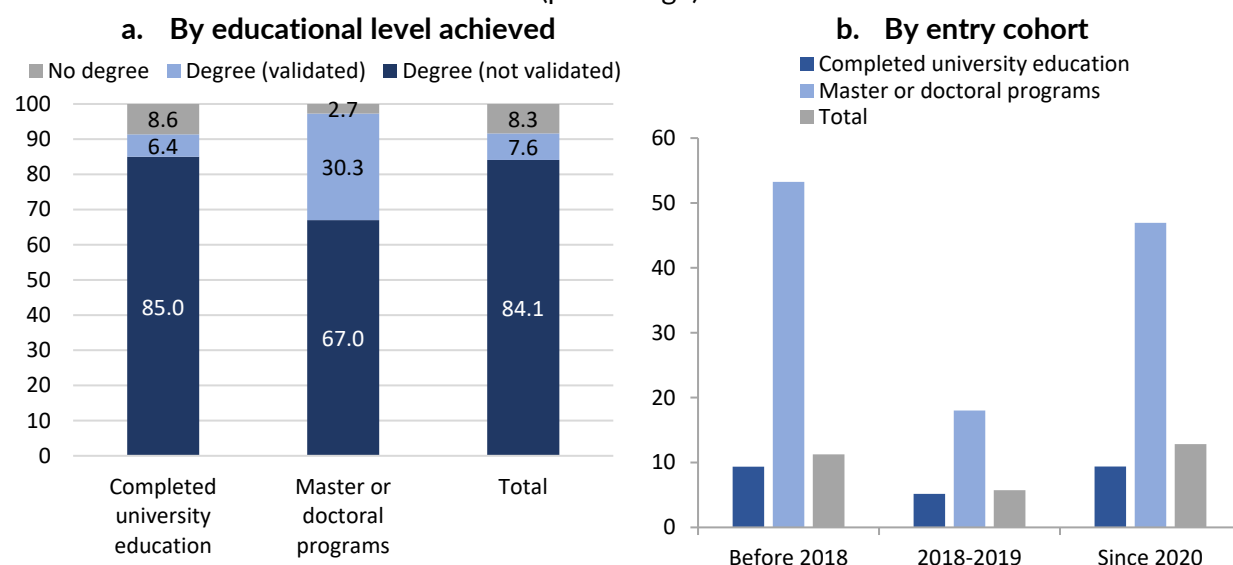
barriers may trigger other positive synergies and can have positive externalities, hence paving the way for migrants to secure a more stable path towards their economic integration, including securing higher quality jobs that match their skills and qualifications. Finally, we count with granular data for these three policy domains, which we believe, enrich the discussion, and provide evidence-based policy recommendations. However, we acknowledge that other challenges, such as access to childcare for female workers and limited information on job opportunities, among others, may still be at place. Hence, future research should focus on further examining the extent to which these represent major barriers for Venezuelan migrants' and refugees' integration.

Barriers in the regulatory process to validate their educational degrees

Only 8 percent of highly educated Venezuelan migrants have validated their educational degrees and the cost of this procedure is perceived as the main impediment. According to the ENPOVE II, 92 percent of the population that has completed a university education, a master's or a doctoral program has a degree. However, only 8 out of 100 people who have reached this level of education have validated their degrees in Peru. Although this proportion rises to 30 percent for master or doctoral programs, the share of those who do not validate their degrees remains considerably high (Figure 29). In addition, only 6 percent of those who arrived between 2018 and 2019 have validated their degrees compared to 11 and 13 percent for those that arrived before 2018 and after 2020, respectively. While the main reported reason for not validating their educational degrees is a lack of funds (44 percent) (Figure 30), other studies in the region also identify the lack of clarity and/or the strictness of documentation requirements, bureaucratic hurdles, operational rigidities, and conflicts of interest among evaluators as important barriers to facilitating the validation of migrants' educational degrees.²¹

²¹ The "brain drain" literature consists of empirical work focusing on the effects of skilled migration, mostly on the home country (surveyed in Commander et al., 2003) and the literature on "brain waste" focuses on where the skilled and the educated leave their home country, but then make little use of their skills and education in the host country. The "assimilation" literature comprises a wide range of rigorous empirical analyses focusing on the performance of migrants in the host country (surveyed in Borjas 1994).

Figure 29. Validation of degrees among the Venezuelan population, 2022
(percentage)

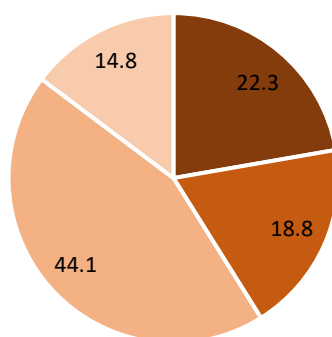


Source: Estimates based on ENPOVE II.

Source: Estimates based on ENPOVE II.

Figure 30. Reasons for not validating their educational degrees, 2022
(percentage of those that did not validate their degrees)

■ I do not know the procedure ■ I did not bring my diplomas ■ I do not have money ■ Other reasons



Source: Estimates based on ENPOVE II.

The validation of foreign degrees is a complex process and therefore one of the main constraints to the integration of highly educated Venezuelan migrants and refugees into the Peruvian labor market. In Peru there are two procedures for validating foreign university studies. The first one is the recognition of the degrees, overseen by the National Superintendency of Higher University Education (SUNEDU). This is expected to be more affordable and flexible than the second procedure which is the revalidation in charge of the universities. The recognition requires a passport or immigration card as well as the original and copy of the diploma certifying the academic degree or professional title, the thesis that supported the academic degree and a payment of the

corresponding fee (S/645).²² In fact, the cost of the recognition is approximately 63 percent of the minimum wage for 2022. Moreover, the revalidation allows Peruvian universities authorized by SUNEDU to grant validity to studies carried out abroad. To achieve this, the academic degree or professional title must be revalidated or homologated with the study plan of a Peruvian university. The procedure, requirements and costs to date are determined by each study center.

Despite the flexibilization of the validation of the studies of the Venezuelan population during the pandemic, the rigidity of the institutions still harms the use and recognition of qualified migrant and refugee human capital. The validation of foreign university studies is the first step to practicing the profession in Peru. However, in most specialties this depends on the professional associations, which enjoy autonomy according to the Political Constitution of Peru. The laws and regulations of the professional associations establish specific requirements for the incorporation of professionals trained abroad and may require, in some cases, the revalidation of studies –a process different from that of recognition. However, the time, requirements and costs depend on the professional career to be revalidated. For instance, doctors must revalidate their degree with SUNEDU, then take the national medical exam --which takes place only twice a year--, and then go through the registration process at the professional association. During the pandemic, the government launched a program for supporting the insertion of Venezuelan migrants and refugees to the Peruvian labor market and revalidating their university and non-university degrees. As a result, around 300 professionals in nursing, dentistry, health technology, engineering, accounting sciences, psychology and communication sciences validated their degrees. In particular, this program allowed healthcare professionals to join the attention of patients with COVID-19. However, these specific efforts did not have a substantial impact as the proportion of Venezuelans that have validated their degrees remains considerably low.

Migration policy and status

Since the influx of Venezuelans to Peru began in 2018, policies to regularize their migration status in the country have been changing according to the new challenges imposed by Venezuelan immigration. The “Opportunity for all: Venezuelan migrants and refugees and Peru's development” (World Bank 2019) report explores the evolution of regularization policies between 2017 and 2019, and how it affected the influx of documented Venezuelan migrants and refugees to the country. At that time, the channels for regularization were the Temporary Residence Permit (PTP), the Resident Worker Visa, the immigration card, and the recently approved Humanitarian Visa. Moreover, by October 2018 the term to enter the country and request the PTP ended and despite of the policy changes, about 90 percent of Venezuelan migrants and refugees were in regular status or in the process of regularizing their situation according to the ENPOVE I. Then, in October 2020, the Peruvian Government announced a new provisional document to regularize the migratory situation of the foreign population in the country who are in an irregular situation in the country, either because they did not enter through an immigration checkpoint or because the document has expired: the temporary residence permit card (CPP). With the CPP, foreigners can,

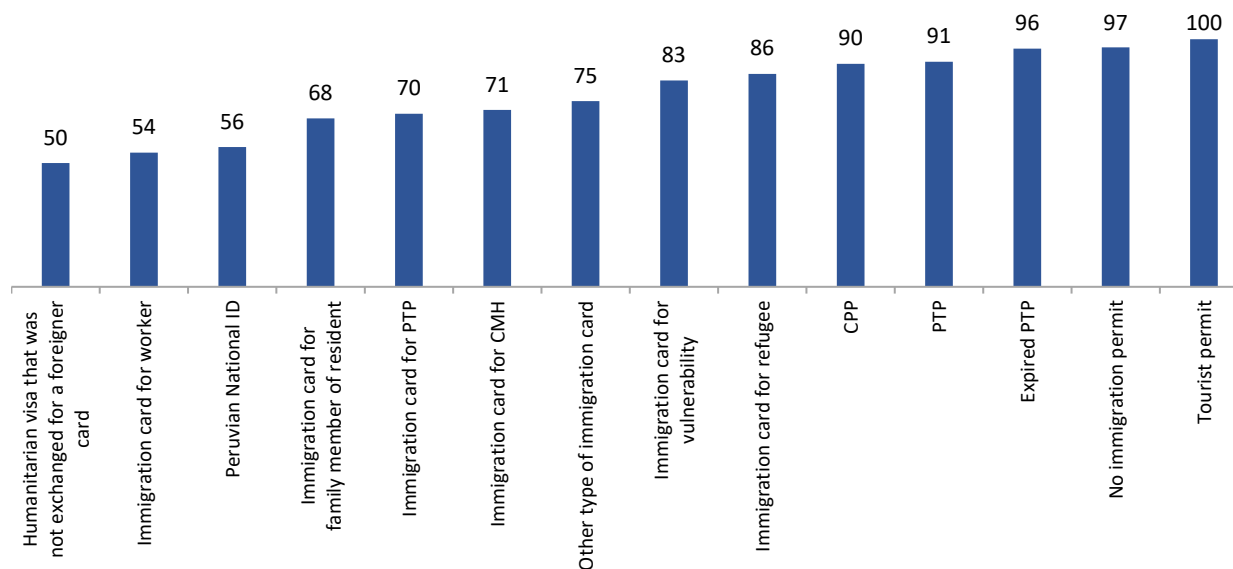
²² The recognition is then evaluated in 30 business days and if positive, the SUNEDU issues a Recognition Resolution of the academic degree and proceeds with its registration in the National Registry of Degrees and Titles.

in principle, gain access to educational services, formal jobs, process their licenses, open a bank account, and conduct lucrative activities. In practice, nonetheless, several bureaucratic barriers and lack of interinstitutional communication curtails the CPP's effectiveness for gaining access to all these services, resulting in a low demand among migrants. Due to the low registration rate for this permit, in May 2023, the Migration Office started the amnesty of fines for foreigners which aimed to benefit more than six thousand foreigners and increase regularization of migrants; and, in August 2023, created a working group specifically tasked to address this problem.

In Peru, undocumented Venezuelan migrants are more likely to have low quality jobs.

Undocumented migrants fare significantly worse than other migrants in the labor markets, even when their skills and other attributes are needed in the destination country. They cannot access most formal jobs because either they fear being detected or they lack the required licenses and credentials, so they relegate to the informal sector which means lower wages and poorer working conditions. Because undocumented migrants cannot readily report abuses to the police or access court systems, they are more easily exploited and underpaid (see Figure 18). The incidence of informality among those with a humanitarian visa that was not exchanged for a foreign card, immigration card for worker and Peruvian National ID exhibit significantly lower informality rates (50-56 percent) (Figure 31). In contrast, informality increases to more than 90 percent among those Venezuelan workers with CPP, PTP, an expired PTP, no immigration permit or tourist permit. Regularization of undocumented migrants might have positive impacts on their integration in the labor market. According to the WDR, regularization programs for undocumented migrants have shown positive impacts on wages—notably, for those with more education-. For instance, in Colombia, the 2018 regularization of Venezuelan nationals led to an average 35 percent increase in migrants' income and an average 10 percent increase in formal employment. Furthermore, existing work has shown that granting legal status to work or stay in the host country improves the social integration of immigrants (Hainmueller, Hangartner, and Pietrantuono 2017) or even fosters their entrepreneurship (Bahar, Cowgill, and Guzmán 2022).

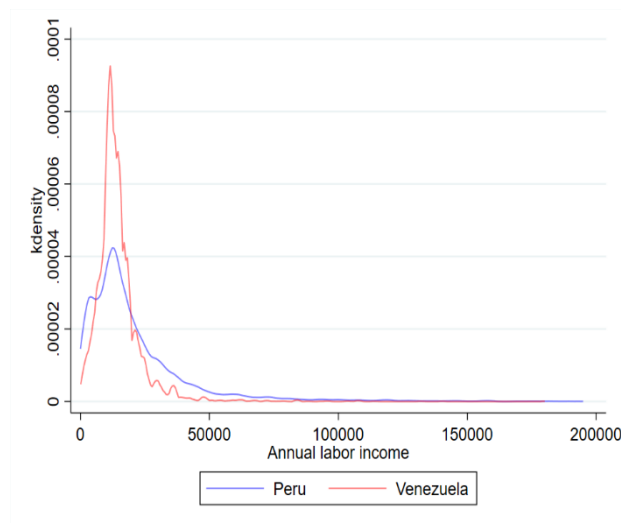
Figure 31. Informality levels by type of immigration permit to stay in Peru, 2022
(percentage of total workers)



Source: Estimates based on ENPOVE II.

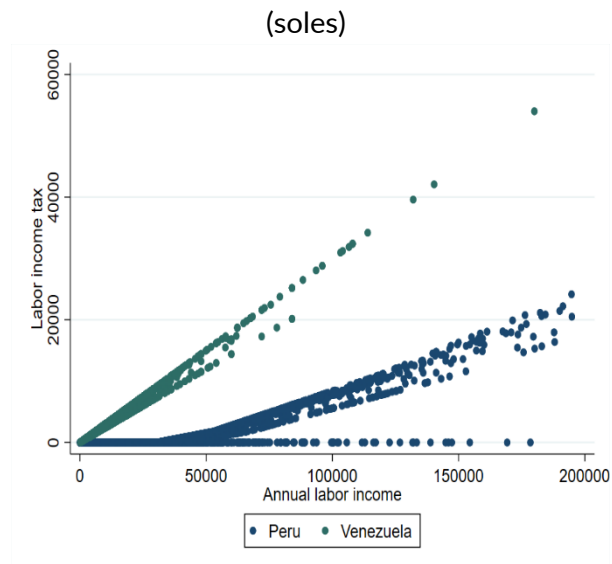
There are few incentives to work in the formal sector despite having the Immigration Card, since foreign workers are taxed with a 30 percent rate. In Peru, labor income tax is subject to an exemption of seven tax units (UITs), a reference unit set annually by the Peruvian Ministry of Economics and Finance (MEF) to determine taxes, and then it is taxed on a progressive scale. Income generated from self-employment (fourth category) is subject to a 20 percent deduction up to the limit of 24 UITs. This income, net of deductions, is added to the income generated by dependent work (fifth category), and the result is subject to deductions of up to 10 UITs. The first seven UITs are exempted from tax, and it is established that, as of January 2017, three additional UITs may be deducted. Foreign income by domiciled individuals is added to net income from work after exemptions, determining the amount on which a progressive cumulative scale is applied with the rates of 8, 14, 17, 20, and 30 percent. However, that is not the treatment that foreign workers receive. In fact, they are subject to a flat rate of 30 percent, which represents a clear disincentive for them to become formal. Figures 32 and 32 show that Venezuelan workers are highly concentrated in the lower part of the income distribution and that, given their flat tax rate of 30 percent, they end up paying higher taxes than Peruvians with the same pre-tax income. The flat rate was originally implemented as a progressive tax to leverage the high income generated by foreigners arriving in the country to work for multinational corporations. However, this policy has become obsolete and even unsuitable given the current situation of migrants and refugees.

Figure 32. Density estimates of annual labor income



Source: Estimates based on ENPOVE II and ENAHO 2022.

Figure 33. Labor income tax by nationality



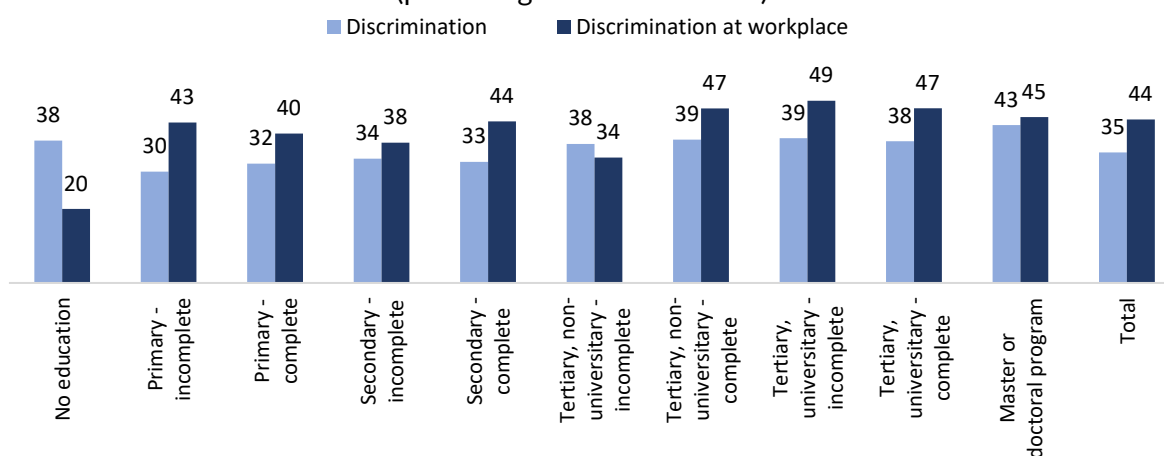
Source: Estimates based on ENPOVE II and ENAHO 2022.

Attitudes towards Venezuelan migration

Workplaces are among the locations where Venezuelan migrants and refugees are more likely to experience discrimination. According to results from ENPOVE II, 30 percent of Venezuelan migrants and refugees reported having experienced discrimination since their arrival in Peru with 95 percent reporting being discriminated because of their nationality (Figure 34). More than one-third has reported to be discriminated at their workplaces (38 percent), only below public spaces (67 percent), and 20 percent reported having experienced discrimination by direct supervisors or work colleagues, which is only below discrimination by strangers (81 percent).

Venezuelan workers are discriminated regardless of their educational attainment. The discrimination rate at workplaces is higher than the average (i.e., those that experienced any kind of discrimination since their arrival to Peru) across all educational levels, except for those workers who do not have any education and those who did not complete their non-university tertiary studies. Regardless of their educational background, most Venezuelan workers experience similar levels of discrimination. For instance, 44 percent of the workers that completed secondary studies reported having experienced discrimination, which is similar to the discrimination rate for those with master or doctoral programs, and those that did not complete primary studies (Figure 34). Almost half of the workers with university studies, although incomplete, have suffered discrimination. Furthermore, overall half of discrimination at their workplaces are perpetuated by their direct supervisors or colleagues.

Figure 34. Venezuelan workers that reported having experienced discrimination and discrimination at their workplaces by educational level, 2022
(percentage of total workers)



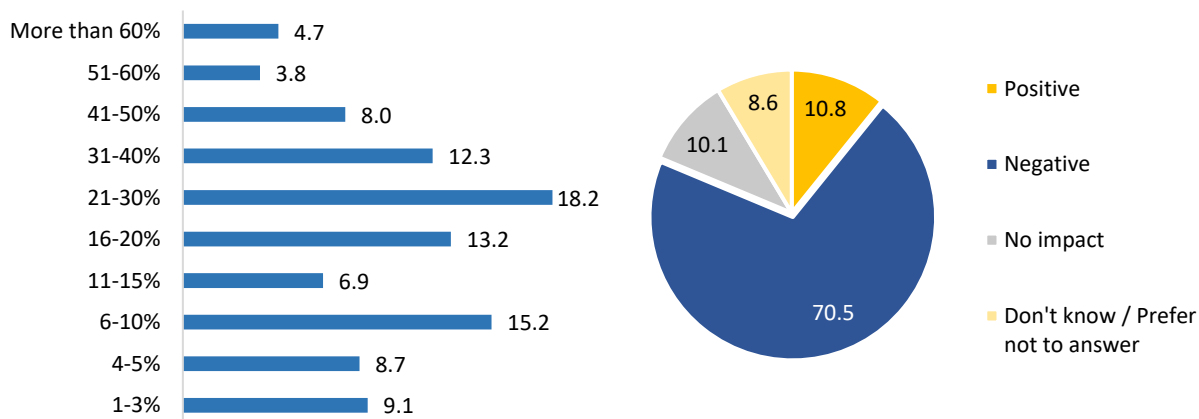
Source: Estimates based on ENPOVE II.

Public perception of Venezuelan migration overestimates the number of migrants and refugees in Peru, perceives migration as negative for the country and acknowledges that there is discrimination against the Venezuelan population. The “Survey of Perception about Venezuelan migration in Peru” was conducted by Equilibrium Social Development Consulting between March 22 and April 3 of 2021. This survey delves into different aspects of the perception in the Peruvian population with regards to the integration of Venezuelan migrants and uses a large sampling frame of 1109 people surveyed by telephone nationwide. The main finding is that there is an overestimation of the size of Venezuelan migration in the country (Figure 35). In particular, 47 percent of respondents consider that 20 percent or more of the population living in Peru are Venezuelan although they represent less than 5 percent, based on latest estimates from R4V. Additionally, 71 percent of respondents consider that Venezuelan migration have a negative impact in the country. In terms of the perceptions of the Peruvians on discrimination, 51 percent of respondents consider that Venezuelan migrants are discriminatory or racist and 64 percent, that Venezuelan migrants are victims of discrimination.

Figure 35. Perceptions regarding the Venezuelan migration in Peru
(percentage of total respondents)

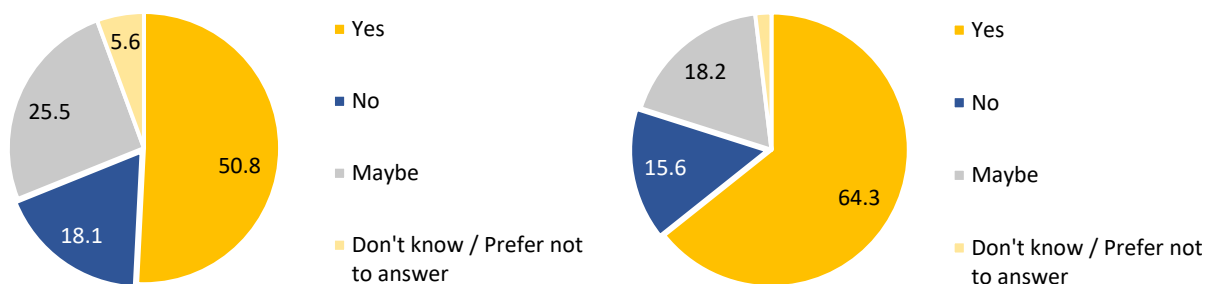
a. About their size

b. Regarding their impact



c. About Venezuelan migrants being racist or discriminatory

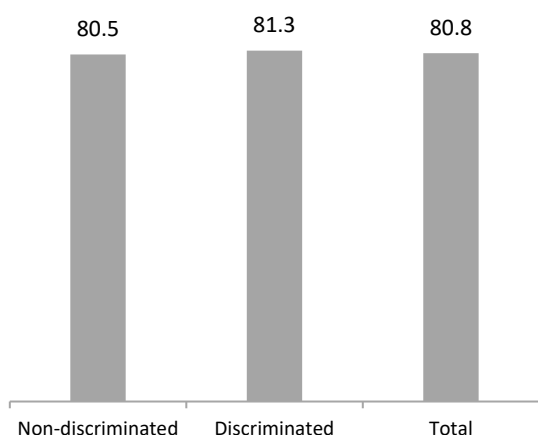
d. About discrimination against Venezuelans in Peru



Source: Survey of Perception about Venezuelan migration in Peru, 2021. IDEHPUCP.

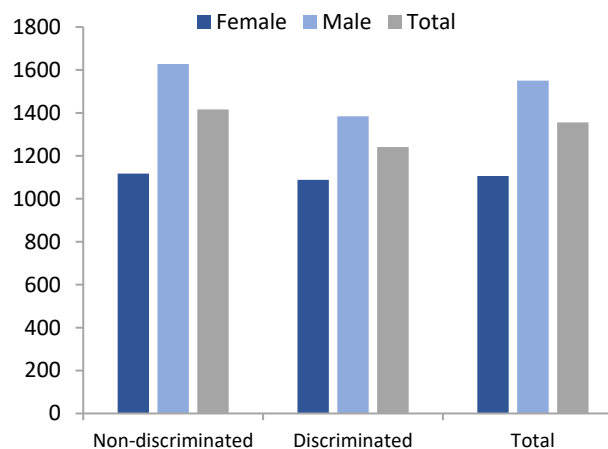
Peruvians' attitudes toward Venezuelan migrants affect their economic integration and their access to high quality jobs. Venezuelan migrants and refugees that have experienced discrimination and have attained only primary, secondary and non-university tertiary studies spend more weeks to find a job than those that have not experienced any type of discrimination. Similarly, Groeger, León-Ciliotta, and Stillman (2022) use the ENPOVE I to show that migrant workers in the informal sector in Peru are more likely to experience discrimination. In this line, ENPOVE II shows that although discrimination is slightly higher for informal workers (35 percent) compared to formal workers (33 percent), those workers that have experienced any kind of discrimination also register higher informality rates (Figure 36). As a result, Venezuelan workers register lower incomes when discriminated and these results persist by gender. For instance, women that have been discriminated perceive 3 percent less income than those that have not been discriminated and for men the decrease is even higher, reaching 15 percent (Figure 37). Alongside discrimination, it has been found that employers tend to avoid hiring Venezuelan migrants due to fear of public pressure, lack of knowledge of the regulations, or concerns about the volatility of immigration laws.

Figure 36. Informality rate by discrimination status, 2022
(percentage of total workers)



Source: Estimates based on ENPOVE II.

Figure 37. Monthly average income by gender and discrimination status, 2022
(soles)



Source: Estimates based on ENPOVE II.

Policy recommendations

This report seeks to contribute to the policy dialogue on the opportunities and barriers for the integration of migrants and more specifically, of Venezuelan migrants and refugees in the Peruvian labor market. The results of this study show that most Venezuelan migrants are at the peak of their productive age and have more years of education compared to Peruvians., which may represent a unique opportunity to increase the benefits of the demographic bonus in Peru. However, this will depend on the capacity of the Peruvian labor market to generate productive jobs for Venezuelan migrants and refugees.

This study demonstrates that although Venezuelans are more educated relative to Peruvians and most of them massively entered the Peruvian labor market, they are mostly employed in low-quality jobs under disadvantaged conditions and with a high degree of skills mismatch. More recently, the working conditions of Venezuelans have changed as they entered the Peruvian labor market, transitioning from skilled occupations towards those that demand fewer skills. As this transition poses new challenges in terms of acquiring new skills, the most salient result is that most of them are overqualified for the occupations they have in Peru. Furthermore, four out of five Venezuelan workers are employed in the informal sector and do not have access to social benefits, such as health insurance, paid leave, and pensions, therefore experiencing high job instability. For instance, one-third of informal workers reported that they have performed an activity without receiving the agreed payment. The returns to higher education for Venezuelan workers are lower than Peruvians although they work more hours per week.

Venezuelan workers represent only 1.3 percent of total formal employment, and they were disproportionately affected by the pandemic. Precisely during the pandemic, one of the opportunities that arose for Venezuelan migrants was employment in digital platforms. Also, the study remarks that although they work under disadvantageous conditions and earn less than

Peruvians, two-thirds of Venezuelan workers send remittances abroad which is expected to have a meaningful effect on their family's well-being and aim to have an economic impact in the destination country.

Opportunities from the great influx of Venezuelan migrants and refugees depend on the degree to which their skills and attributes can be matched with the needs of the Peruvian labor market. As shown throughout the report, the precarious working conditions faced by Venezuelans at their low-skilled jobs is a problem that is also ubiquitous among low-educated Peruvian workers, which points to an endemic issue of the labor market itself. Migrants and refugees face further barriers due to their migration status and discrimination, preventing an improved access to high quality and productive jobs in accordance with their educational level and skills while simultaneously increasing their vulnerability to labor exploitation.

Therefore, the report concludes that improving the quality of life for Venezuelans would require a national labor reform addressing the problems of informality and precarious working conditions faced by both Venezuelan and Peruvian workers, whilst having a migration lens to tackle the main barriers faced by migrants and refugees in accessing jobs in accordance with their education and skills. Regarding the former, the report identifies the need to reduce the non-compliance of labor and social security regulations among low-skilled jobs. On the other hand, the report identifies that whether a migrant has the opportunity to work at the level of his/her qualifications and potentialities depends on: (i) the regulatory process to validate their educational degrees, (ii) migration policy and status, and (iii) attitudes towards migration. Based on this analysis, the report yields the following policy recommendations:

- 1. Increase the monitoring and enforcement of labor and social security regulations, especially among low skill jobs**

The poor quality of low-skill jobs, typically characterized by precarious conditions, long working hours, and curtailed access to benefits such as healthcare and social security, is not unique to Venezuelans migrants and refugees but rather a pervasive issue inherent to the Peruvian labor market. Addressing this problem requires a national perspective that tackles the root causes of poor job conditions, irrespective of the workers' nationality. A key step towards improving these conditions is to enhance the monitoring and enforcement of labor regulations in elementary occupations. This effort can be further complemented by focusing on specific sectors and occupations, such as digital platforms for example, where Venezuelans are concentrated. Given their vulnerable status and urgent need for employment, this targeted approach might provide better support and protection to migrants and refugees.

- 2. Identify bottlenecks in the recognition and validation processes of educational titles**

The low share of highly educated Venezuelans that have validated their degrees illustrates the magnitude of the barriers that these procedures face. The three main reasons reported by Venezuelans for not validating their professional titles are lack of money (44 percent) followed by not understanding the procedure (22 percent) and not having their diplomas in Peru (19 percent). In addition, the revalidation corresponds to the autonomy of the universities and progresses

slowly. In some cases, the recognition by the universities is not accepted by the Professional Associations, which, in turn, impose requirements and costs that are difficult to address by migrants and refugees.

In this sense, some alternatives to accelerate the recognition and validation of titles are: i) encouraging the creation of financial products to cover the costs of these processes; ii) formalizing agreements that allow to speed up processes and standardize the costs and procedures among professional schools and SUNEDU; iii) increase the application processing capacity; and iv) disseminate information about the process.

3. Intermediation services of the Ministry of Labor for the insertion of the Venezuelan population in formal jobs

According to the Ministry of Labor, in 2021 its job bank service achieved the insertion of a total of 22,226 people from an offer of 355,980. This means that only 6.2 percent of those that seek a job using the Ministry's service found it. In addition, although foreigners represent only 3 percent of those seeking a job within this service, there are important differences in the insertion rate. For instance, only 69 out of 8,924 foreigners were allocated to a job, an insertion rate of 0.8 percent. They were mostly from Venezuela (8,148) but the insertion rate among this population is even lower (0.3 percent). In total, only 22 Venezuelans joined the labor market through this service in 2021.

It is important to improve the effectiveness of this program not only for Venezuelan migrants and refugees but also for supporting nationals whose skills are similar to those of migrants and who are negatively affected because of a decline in wages or employment. Such a reform would allow complementary workers and capital to move to areas and sectors that migrants entered, and workers with similar skills to move to other regions, sectors, or occupations (World Bank, 2023).

Moreover, as most Venezuelan workers have transitioned to new occupations since their arrival to Peru, this reform should focus on improving the offer of training services to close the gaps between labor supply and demand. In the medium term, this gap should diminish with the improvement of the recognition and validation processes. Also, it is important that this supply of training services be differentiated by territory and area.

4. Increase the access of Venezuelan women to childcare programs to address the gap in labor force participation

To address the gap in labor force participation, policies should be implemented that level the playing field between men and women, such as increasing access to and the quality of childcare for working parents. In Peru, public early childcare provision starts at 72 months, which makes up for a childcare policy gap of 68.4 months. The Cuna Más Program provided some of the most at-risk families with a combination of out-of-home care and home visits for children ages 6–36 months. Still, the program remains limited for Venezuelan migrants and refugees. Only in 2018, Cuna Más extended its coverage in Tumbes in order to alleviate the stress caused by the transit of Venezuelan families through this area to other cities in the country. Evidence from different countries shows that access to quality childcare can significantly benefit women's labor market

participation (especially full-time work), increase household earnings, and have strong economic spillovers in society and the economy. Access to maternity leave should be free and universal for all female workers, independent of their formality condition and nationality.

5. Migration policy and status

Peru has had different strategies in terms of acceptance of the entry of Venezuelan migrants and refugees and regularization of their permanence in the national territory whose implementation and results leave lessons that allow learning from experience. In this sense, the main challenges for the regularization of the permanence of the Venezuelan population in Peru are the instability of the mechanisms and procedures, the lack of clear and understandable information for the Venezuelan population and for potential Peruvian employers and other public and private agents, the costs of regularization for migrants and the little use these documents have in practice.

In this sense, although the government has taken major steps for allowing Venezuelan migrants and refugees to regularize their migration status, it is very important to define what the transition from the CPP -which is valid for two years, nonrenewable- to an ordinary immigration regime will be like. In addition, the regularization process will not allow Venezuelan migrants to join high-quality and formal jobs if the tax policy for foreign workers gives them unfair treatment compared to Peruvians. A reform in this line should be encouraged.

6. Attitudes towards Venezuelan migration

Given the challenges that arose with the large influx of Venezuelan migrants in refugees, it is important to continuously inform civil society about the comprehensive response of the government and the actions carried out with respect to the migratory wave. Messages should transmit security and order, but at the same time contain a strong human dimension reflecting a real understanding of the migratory phenomenon.

In terms of improving the integration of the Venezuelan population in the Peruvian labor market, the government should disseminate information on the rights of access to services and markets among service providers and the migrant population; standardize processes, and strengthen trust in institutions by Venezuelan migrants. In addition, it is important to design strategies to reinforce the information with communication and awareness campaigns, as well as massive education days.

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Annex 1. Other data sources used in the analysis

National Household Survey (ENAHO for its acronym in Spanish): The ENAHO is a nationally representative survey conducted by the Peruvian National Statistics Office (INEI by its acronym in Spanish) that provides detailed information on dwelling characteristics and those of household members such as education, health, employment and income, as well as household expenses, social programs and governance, democracy, and transparency. This survey covers all private dwellings and their resident occupants, so it excludes members of the armed forces who live in barracks, camps, and ships as well as people residing in collective housing. This survey is conducted along the territory in urban and rural areas, in the 24 regions of the country and the Constitutional Province of Callao and it is representative along these levels (national, urban, rural, regional) as well across natural regions-areas (i.e., urban coast or rural coast). Moreover, quarterly it is representative at the national level, urban and rural areas. Its sample framing is based on the National Population and Housing Census which was conducted in 2017 and 2007 and is expected to be conducted again in 2025. As the ENAHO relies on this framing to select the sample units, it does not capture the great influx of the Venezuelan population that started arriving in Peru in 2018. According to the INEI itself, less than one percent of the population captured in the ENAHO are Venezuelans. In 2022, the annual sample was 36,822 private dwellings with 24,206 in urban and 12,616 in rural areas, respectively.

Survey of Perception about Venezuelan migration in Peru: This opinion survey was carried out by the Democracy Institute and Human Rights of the Pontifical University Catholic of Peru (IDEHPUCP) and was applied by Equilibrium Social Development Consulting. This survey arises from the interest and concern about the negative trend observed in the Peruvian population regarding the integration of migrants. Therefore, the survey delves into different aspects of this problem such as migration policies and the role of political leaders during the electoral campaign, health access during the COVID-19 pandemic and the perceptions and discrimination against the Venezuelan population. Its sampling frame covers 1,109 Peruvians aged 18 and over surveyed by telephone at the national level between March 22 and April 3, 2021.

Survey carried out on partners, users and allies of the main digital mobility and delivery platforms in Peru: This survey was conducted by the Peruvian Institute of Economics (IPE) on behalf of the Foreign Trade Society of Peru (COMEX), between February and May 2021. This survey covers 2,934 partners, 44 allies and 4,023 users virtually interviewed. Informants were associated with Beat, Cabify, Didi, Directo, InDriver and Uber in terms of mobility platforms while for delivery it included Cornershop, Fazil, PedidosYa and Rappi. The survey analyzes the importance of digital platforms in the Peruvian economy, and it also covers the contribution of these platforms in terms of employment opportunities for immigrants (who are mainly from Venezuela).