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ON THE MOVE

Understanding Venezuelan Refugee and Migrant Decision-Making: Implications for Responses to Protracted Displacement

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Introduction

More people are displaced than ever before.¹ An unprecedented 70.8 million people around the world have been forced from their homes due to violence, persecution and natural disasters as of 2018. The ongoing political and economic crisis in Venezuela has sparked the latest and largest, second only to that of Syria, refugee and migrant movement worldwide. A staggering 4.7 million people have thus far left Venezuela. The UN estimates that the number of refugees and migrants will climb to 5.3 million at the end of 2019, and by 2020, there may be 8 million Venezuelans outside of their country, making this the largest crisis in the world.² Colombia, hosting almost 1.4 million people (roughly 40% of the displaced Venezuelans in the region) so far, has been the primary destination.³

Forced displacement is becoming increasingly protracted, demanding new ways of responding to the needs of refugees and distress migrants. According to the United Nations High Commission for Refugees, the duration of displacement now lasts an estimated 26 years, on average.⁴ With the situation in Venezuela continuing to deteriorate, there is no immediate prospect of many Venezuelans returning home. In recent years, several global frameworks have sought to promote longer-term solutions for refugees and migrants, including the Global Compact on Refugees, the Global Compact for Migration, and the Sustainable Development Goals. These initiatives have put forth policy ideas on how to address protracted displacement and migration, but achieving their goals requires a better understanding of the dilemmas that migrants and refugees face in their situations of displacement.

Faced with a unique set of challenges, migrants and refugees make difficult choices, which they believe will result in the best outcomes for themselves and their

families. In reality, migrants and refugees fleeing their country often experience harrowing journeys and end up in situations of deprivation and vulnerability, at times, when better alternatives exist. These suboptimal outcomes beg the question of how people on the move make decisions that affect their wellbeing. While humanitarian programs and broader policy responses seek to protect and improve the wellbeing of displaced persons, they often lack critical information about refugees and migrants' decision-making processes including, how they weigh uncertainty and risks, evaluate choices and assess information available to them. As a result, such responses may miss opportunities to go beyond providing short-term relief to helping refugees and migrants make the best possible choices given a set of constraints and possibilities.

To make this specific, take the decision refugees and migrants must make about where they will go once they are compelled to leave their home. While the ideal option is to reside in a place where their rights are protected and livelihood and employment opportunities exist, many refugees and migrants end up in places that offer them little more than a temporary shelter, in most cases, and a marginalized existence, in the worst case. While factors such as financial constraints and social networks invariably influence where people go, other less well examined variables also play into the decision, including people's behavioral profiles (i.e. how they perceive risk and uncertainty). Other key decisions that affect wellbeing, similar to one's choice of destination, include how refugees and migrants invest or use available assets, income and resources. Often this choice is between meeting immediate needs, including food consumption, and investing in productive assets or livelihood opportunities that may generate future income.

1 "Global Trends: Forced Displacement in 2018," UNHCR, Accessed December 30, 2019. <https://www.unhcr.org/en-us/statistics/unhcrstats/5d08d7ee7/unhcr-global-trends-2018.html>

2 Bahar, Dany and Meagan Dooley, "Venezuela refugee crisis to become the latest and most underfunded in modern history, Brookings, Accessed December 30, 2019. <https://www.brookings.edu/blog/up-front/2019/12/09/venezuela-refugee-crisis-to-become-the-largest-and-most-underfunded-in-modern-history/>

3 "Colombia: Situational Report - August 2019," ReliefWeb, Accessed December 30, 2019. <https://reliefweb.int/report/colombia/colombia-situational-report-august-2019>

4 UNHCR, Contribution to the Fifteenth Annual Meeting on International Migration, New York: United Nations Secretariat, 2017. Accessed December 30, 2019. https://www.un.org/en/development/desa/population/migration/events/coordination/15/documents/papers/14_UNHCR_nd.pdf

Behavioral economics research has shown that people often make decisions that do not obviously appear to make their lives better. It provides a number of tools for understanding why and when this may happen. For example, “prospect theory” identifies ways in which people make systematic errors when dealing with complex problems that involve uncertainty. The “scarcity” literature highlights that, under stressful circumstances, decision-making can be further impaired because people lack the mental bandwidth to make careful and optimal choices. Information (or lack of it) has long been considered by economists to be a key component to the quality of decision-making. Behavioral economics has also shown that the timing is important, too: i.e., getting relevant information just before making a decision is more helpful than receiving it long before. When considering how refugees and migrants make decisions, the application of these theories, in combination with data from assessments of actual choices and how these affect people’s wellbeing, can provide valuable insights for designing programs and policies that seek to optimize outcomes.

Drawing on behavioral economics theories and primary quantitative and qualitative data on decision-making among Venezuelans who have fled to Colombia, this study seeks to answer questions about how refugees and migrants make decisions that affect their wellbeing, and how programs and policies can help improve them. We apply commonly used behavioral measures in a novel context: among Venezuelan refugees and migrants in Colombia. This data enables us to better understand how Venezuelans fleeing their country perceive risks, uncertainty and time preferences. We couple this with in-depth semi-structured interviews that provide a deeper and more nuanced insight into the situations that Venezuelan refugees and migrants find themselves in, which influence their preferences and choices.

Summary of Key Findings

Venezuelan migrants and refugees in Colombia tend to be **risk-averse** and **avoid uncertainty**. This intolerance to risk and uncertainty may come at a cost of opportunities that present greater benefits.

Loss aversion contributes to these attitudes towards risk and uncertainty. Since many refugees and migrants coming from Venezuela have experienced significant losses, once they arrived in Colombia, they prefer not to move onward to other destinations in Colombia or elsewhere, to avert more losses.

Information about destinations, opportunities and means of traveling, which Venezuelan refugees and migrants access primarily through family and friends, is not very reliable. More accurate and up-to-date information may help reduce the uncertainty surrounding key decisions refugees and migrants must make.

Stress and scarcity seem to have a greater impact on the first order migration decision to leave Venezuela than on decisions for onward travel once in Colombia. Hence, Venezuelans may be more prone to make impulsive and risky decisions while in Venezuela, including undertaking dangerous journeys to reach Colombia.

Context

Venezuela today is facing an economic and political crisis, which has left its people short of money, food and medicine. Since Nicolás Maduro became president in 2013, the country's GDP per capita has fallen by about half. Blackouts have left people unable to access water or use their credit cards, a key strategy for guarding against hyperinflation. While statistics are hard to come by, it is believed that nearly 90 percent of the country's population lives below the poverty line, and more than half of families are unable to meet basic food needs.⁵ Basic services, such as healthcare, are in disarray. For example, there is a shortage of 85 percent of all medicines in the country leaving many hospitals and clinics unable to treat patients.⁶

While remaining in Venezuela, for many, is the worst option, moving to another country presents a number of risks and uncertainties. Legal entry and asylum policies vary significantly across

destination countries. Although UNHCR has urged host countries to provide protections for Venezuelans under the Cartagena Declaration, asylum policies, legal residency and other provisions are still at the discretion of the host countries.⁷ For example, Mexico and Brazil have recognized Venezuelan as refugees and have tried to facilitate employment opportunities for them. Other countries have taken more restrictive approaches, including Caribbean countries (e.g., Curaçao, Trinidad and Tobago) that have reimposed visa restrictions on Venezuelans and do not typically provide them with asylum.

Though Colombia does not provide blanket refugee status for Venezuelans, it offers them relatively expansive rights and protections. Beginning in August 2017, the Colombian government started issuing a Special Stay Permit (Permiso Especial de Permanencia, or PEP) to Venezuelans who entered

with a passport as well as those who were irregular but registered with the government in Spring 2018. The PEP allows Venezuelans to reside and work in Colombia for up to two years, and access Colombia's health system beyond emergency treatment.⁸ As a result, approximately 675,000 Venezuelans have regular status, but an estimated 665,000 Venezuelans still remain irregular, due to having overstayed or having entered the country illegally.⁹



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- 5 Fowler, Brook. "Top 10 Facts about Poverty in Venezuela," Borgen Project, Accessed December 30, 2019. <https://borgenproject.org/top-10-facts-about-poverty-in-venezuela/>
- 6 Raphelson, Samantha. "Venezuela's Health Care System Ready To Collapse Amid Economic Crisis," NPR, Accessed December 30, 2019 <https://www.npr.org/2018/02/01/582469305/venezuelas-health-care-system-ready-to-collapse-amid-economic-crisis>
- 7 "Majority fleeing venezuela in need of refugee protection," UNHCR, Accessed December 30, 2019. <https://www.unhcr.org/en-us/news/briefing/2019/5/5ce3bb734/majority-fleeing-venezuela-need-refugee-protection-unhcr.html>
- 8 Seele, Andrew and Jessica Bolter, Betilde Muñoz-Pogossian and Myriam Hazan, Creativity amid Crisis: Legal Pathways for the Venezuelan Migrants in Latin America, Migration Policy Institute, 2019. Accessed December 30, 2019. <https://www.migrationpolicy.org/research/legal-pathways-venezuelan-migrants-latin-america>
- 9 "Venezuelan Refugees and Migrants," Respuesta a Los Venezolanos, Accessed December 30, 2019. <https://r4v.info/es/documents/download/70639>

Beyond administrative hurdles for Venezuelans seeking to move outside of their country, some journeys can be dangerous. Arriving in large Latin American cities and traveling with public transport can be risky. Riskier, still, is the use of informal border-crossings, known as trochas, between Colombia and Venezuela. Criminal groups have emerged along many of these largely unmanned border areas, fighting to control the smuggling of drugs and, more recently, migrants. In addition to being exposed to the risk of violence and sexual harassment, Venezuelans are regularly extorted by criminal groups when traveling.¹⁰ For Venezuelans attempting to make the short sea-journey to Caribbean countries on rickety boats, the risk of drowning is not negligible.¹¹

Having arrived in a new country, the most critical decision that Venezuelans must make is whether they will remain or move onward (either internally or to another country). In Colombia, the majority of Venezuelans settle in towns near the Venezuela-Colombia border. For example, in 2018, of the documented Venezuelans with regular status in Colombia, 31% were concentrated in eight municipalities (out of 1,122) near the border, mostly in the departments of La Guajira and Norte de Santander. The share of Venezuelan migrants and refugees, meanwhile, was less than 1% per capita in large metropolitan areas such as Bogota, Medellin and Cali.¹² The border areas that host many Venezuelans are relatively economically deprived and the large influx of Venezuelans has created a strain on public services. Yet, despite the potentially better opportunities and services that might be available to Venezuelans in other parts of Colombia, the majority still choose to remain near the border.

In response to the growing turmoil, Mercy Corps and other humanitarian agencies have expanded their existing aid operations in Colombia to meet the

immediate needs of Venezuelans and Colombians affected by the influx of displaced Venezuelans. Since early 2018, Mercy Corps has helped more than 13,000 displaced people gain access to critical medical supplies and emergency cash to meet their basic needs. As the crisis continues to unfold, Mercy Corps and other aid organizations seek ways to help Venezuelans in Colombia improve their wellbeing. In the short-term, humanitarian programs focus on improving food security (which continues to be a challenge for Venezuelans in Colombia), providing shelter and basic protections. However, given the likelihood of protracted displacement in Colombia, humanitarian actors are starting to seek longer-term responses which will lead to improvements in health, livelihoods and education for Venezuelans.

Venezuelans in Colombia (and elsewhere) are faced with tough choices that affect their welfare including: where to go; how to get there; how to make a living; how to support family members back home, and whether to return to Venezuela. They make these decisions, oftentimes, in situations of extreme stress and deprivation. Information about destinations, including legal regulations on residency and work, and means of traveling, though often available, may not be up to date and accurate as the situation continues to evolve. People across the world are often subject to common errors when making decisions. Refugees and migrants may be more susceptible to this given the unique situation they are in. To help improve decision-making and welfare, social scientists have proposed different forms of behavioral interventions or “nudges” in public policy, and we explore how this can be applied in the context of the Venezuelan crisis response. In the next section, we examine theories on decision-making, drawing on behavioral economics literature to develop hypotheses about how refugees and migrants make decisions that affect their wellbeing.

10 “Trails Along the Colombia-Venezuela Border are Criminal Enclaves,” Insight Crime, Accessed December 30, 2019. <https://www.insightcrime.org/news/brief/trochas-colombia-venezuela-criminal-enclave/>

11 Surtees, Joshua, “Venezuelan refugees feared drowned en route to Trinidad,” The Guardian, Accessed December 30, 2019. <https://www.theguardian.com/world/2019/apr/25/venezuelan-refugees-feared-drowned-trinidad-boat-sinks>

12 Bahar, Dany, Meagan Dooley, and Cindy Huang, “Integrating Venezuelans into the Colombian labor market,” Global Economy and Development at Brookings, 2018, Accessed December 30, 2019. https://www.brookings.edu/wp-content/uploads/2018/12/Venezuelan-Migrants_English.pdf

Theory and Evidence on Migration Decision-making

We often think of the way that a person makes a decision about migration as a simple weighing of the pros and cons of the decision (“Will migrating improve my quality of life relative to how it would be where I am now?”) That decision could be based on any number of measures, (e.g., economic wellbeing, physical safety or proximity to family). In other words, potential migrants, given their constraints and preferences, try to maximize benefits, (i.e., they are rational). While it is easy to conceive of these decisions as a simple calculation of pros and cons, in the real world, a number of factors get in the way. Insights from behavioral economics and psychology suggest that access to information and a range of psychological factors, including cognitive, emotional and social, can affect how people process information. This can have consequences on the way that they make decisions in a complex number of ways. The academic literature has looked at a number of possible explanations for why people make decisions that do not always maximize benefits and improve wellbeing.



All migration decisions can be thought of as a gamble. People make migration decisions without always knowing what the outcomes will be with certainty.

Imperfect Information

When people have poor quality information about how to migrate and where to migrate to, it can negatively affect the decisions they make. They may have an overly pessimistic view of the likely situation in potential destinations, or they may have limited information about routes, visa requirements and/or transport methods. To address these information gaps, aid programs have provided information as a tool to try to stimulate or reduce migration, and have been the basis of recent research studies.

In the Philippines, a team of researchers tried to facilitate productive migration of potential Filipino international migrant laborers, by giving them detailed information on the bureaucratic processes and documents needed to migrate abroad legally.¹³ However, they found that these interventions had no discernable effect on the migration decisions of study participants.

Another study in Gambia looked at people who were considering irregular migration.¹⁴ This study identified Gambians who were deemed likely to try to migrate through unofficial channels to Europe. They were provided with information about the likelihood of success as well as potential risks of their migration journey. The study found that the potential migrants overestimated the chances of dying en route and the likelihood that they would be granted legal residency status. The authors also found that provision of information could have an effect on people’s declared intention to migrate.

13 Beam, Emily, David McKenzie, and Dean Yang. “Unilateral Facilitation Does Not Raise International Labor Migration from the Philippines.” *Economic Development and Cultural Change* 64, no 2 (2016): 323-368. <https://doi.org/10.1086/683999>.

14 Tijan Bah, L., and Catia Batista, C. “Understanding willingness to migrate illegally: Evidence from a lab in the field experiment.” NOVAFRICA Working Paper Series 1803, Universidade Nova de Lisboa, Faculdade de Economia, NOVAFRICA (2018). https://novafrica.org/wp-content/uploads/2019/05/TijanBah_Understanding-willingness-to-migrate-illegally_Bah_Batista.pdf

Attitudes towards Risk and Uncertainty

Decisions to migrate involve risk and uncertainty and so individual decisions will depend on a person's attitude towards them. All migration decisions can be thought of as a gamble.¹⁵ People make migration decisions without always knowing what the outcomes will be with certainty. For example, a Venezuelan on the Colombian border may consider that a journey to Peru, where there are more employment opportunities, may be a gamble too far, given the costs and uncertainties of the journey. How people think about risk and uncertainty is an important component of their decisions.

Prospect Theory, developed by Kahneman and Tversky, provides a useful framework for thinking about these attitudes.¹⁶ It shows that people think differently about gains and losses. This is summed up in three key observations:

1. People tend to prefer certain gains and avoid certain losses
2. People are particularly averse to loss, or as Kahneman and Tversky put it, "losses loom larger than gains"
3. People tend to overweight low probabilities and underweight high probabilities

Kahneman and Tversky find that the value placed on outcomes vary from expected values proposed by rational agent models. This is manifested in riskseeking and risk-averse behaviors in which people make choices that are less than optimal.

A potential migrant who has a lot to lose will be more risk-averse. However, a refugee who has fled home and already lost everything may be more likely to take on risks, since they have little left to lose and the potential gains will be more appealing.

It is also becoming clear that attitudes to risk can change and are pliable, especially as a result of exposure to particular conditions, including crises. However, the direction of the effect is not consistent. After the 2004 Indian Ocean tsunami, one study¹⁷ found that Thais affected by the tsunami were likely to be more risk-averse. In contrast, a study conducted after the 2011 Great East Japan Earthquake¹⁸ found that men who were exposed to the disaster became more risk tolerant, whereas they found no effect on women. Similarly, studies on the effect of violence on risk preference also have mixed results. For example, a series of field experiments in rural Burundi was used to examine the impact of exposure to conflict on behavior and long-term consequences.¹⁹ Civil war violence that occurred between 1993 and 2003 continued to have clear impact on individuals' greater acceptance toward risks in 2009—when the experiments occurred—suggesting that the consequences of violence on individuals may be permanent. Another example sampled individuals from war-torn states in Colombia and finds that the intensity of exposure to violence is related to risk aversion.²⁰ In other words, the more violence a person is exposed to, the more risk-averse they become. In Kenya, similarly, the post-election crisis sharply increased individual risk aversion.²¹

15 Belloni, Milena. "Refugees as gamblers: Eritreans seeking to migrate through Italy." *Journal of Immigrant & Refugee Studies* 14, no. 1 (2016): 104-119. <https://doi.org/10.1080/15562948.2015.1060375>.

16 Kahneman, Daniel, and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk." *Econometrica* 47, no. 2 (1979): 263-291. <https://www.jstor.org/stable/1914185>.

17 Cassar, Alessandra, Andrew Healy, and Carl von Kessler. "Trust, Risk, and Time Preferences After a Natural Disaster: Experimental Evidence from Thailand." *World Development* 94 (2017): 90-105. <https://doi.org/10.1016/j.worlddev.2016.12.042>.

18 Hanaoka, Chie, Hitoshi Shigeoka, and Yasutora Watanabe. "Do Risk Preferences Change? Evidence from the Great East Japan Earthquake." *American Economic Journal: Applied Economics* 10, no. 2 (2018): 298-330. DOI: 10.1257/app.20170048.

19 Voors, Maarten J., Eleonora E. M. Nillesen, Philip Verwimp, Erwin H. Bulte, Robert Lensink, and Daan P. Van Soest. "Violent Conflict and Behavior: A Field Experiment in Burundi." *The American Economic Review*, 102, no. 2 (2012): 941-964. <https://www.jstor.org/stable/23245440>.

20 Moya, Andrés. "Violence, psychological trauma, and risk attitudes: Evidence from victims of violence in Colombia." *Journal of Development Economics* 131 (2018): 15-27. <https://doi.org/10.1016/j.jdeveco.2017.11.001>.

21 Jakiela, Pamela, and Owen Ozier. "The Impact of Violence on Individual Risk Preferences: Evidence from a Natural Experiment." *The Review of Economics and Statistics* 103, no. 3 (2019): 547-559. https://doi.org/10.1162/rest_a_00763.

Stress, Scarcity and Bandwidth Tax

Those living in situations of deprivation face additional short-term and long-term levels of stress that have significant impact on their decision-making processes. Sendhil Mullainathan and Eldar Shafir, co-authors of *Scarcity: The New Science of Having Less and How it Defines our Lives*, show that managing scarce resources takes up so much energy and time that individuals who have very little, particularly those living in poverty, have little mental resources left for anything else.²² Referred to as the “bandwidth tax”, this can lead to decisions that further perpetuate poverty, because in situations of deprivation, individuals tend to focus on dealing with their day-to-day struggles rather than making investments for the future.²³ Stressful situations, such as conflict and poverty, reduce one’s ability to weigh the pros and cons of alternative choices. Consequently, when individuals are under stress, they may be more likely to be risk-taking and their decisions may be more likely to be automatic, prioritizing current payouts over future ones.²⁴ In other words, we might expect that refugees will seek more risky courses of action than might otherwise be the case.

Remaining Gaps

On the refugee and migrant population, literature on decision-making is limited and remains largely inconclusive. Most scholars have looked at the influence of existing policies, socioeconomic conditions, political discourse, and available resources in destination countries as the driving factors for why migrants and refugees make certain decisions over others. Others argue that historical ties, linguistic commonalities, and social networks shape decision-making.²⁵ However, such explanations are not enough to account for some patterns of migratory movements.²⁶ Few studies have examined refugee and migrant decision-making from a behavioral economics perspective, including how perceptions of risk and uncertainty tolerance and experiences of stress and deprivation influence decision-making. This research seeks to address part of the gap by measuring the behavioral preferences of Venezuelan migrants and refugees and understanding what factors shape these preferences and, in turn, decisions.



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- 22 Mullainathan, Sendhil and Eldar Shafir. *Scarcity: The New Science of Having Less and How it Defines our Lives*. New York: Times Books. 2013.
- 23 World Bank. *World Development Report 2015: Mind, Society, and Behavior*. Washington D.C.: World Bank Group. <http://pubdocs.worldbank.org/en/814331482349888585/Chapter-4.pdf>
- 24 Adamkovič, Matúš, and Marcel Martončík. “A Review of the Consequences of Poverty on Economic Decision-Making: A Hypothesized Model of Cognitive Mechanism.” *Frontiers in Psychology* 8 (2017): 1784. <https://doi.org/10.3389/fpsyg.2017.01784>.
- 25 Belloni, Milena. “Refugees as gamblers: Eritreans seeking to migrate through Italy.” *Journal of Immigrant & Refugee Studies* 14, no. 1 (2016): 104-119. <https://doi.org/10.1080/15562948.2015.1060375>.
- 26 Brekke, Jan-Paul, and Monica Five Aarset. *Why Norway? Understanding Asylum Destinations*. Oslo: Institute for Social Research, 2009. https://www.udi.no/globalassets/global/european-migration-network_i/publikasjoner/why-norway-understanding-asylum-destinations.pdf

Research Design

Research Question and Hypotheses

This research aims to understand how refugees and displaced migrants make decisions that affect their wellbeing (including where to go; how to get there; how to make a living; how to support family members back home, and whether to return). In other words, and more specifically: What factors shape how Venezuelan refugees and migrants make decisions?

We hypothesize that the following factors shape migration decisions:

Hypothesis 1: Situational factors leading to loss aversion

In the context of decisions that Venezuelan refugees and migrants make, particularly with regards to movement, this results in multiple possible risk preferences. For our sample—Venezuelans who were compelled to leave home but remained in the border areas of Colombia—we hypothesize that there are two possible risk profiles, which differ based on first order versus second order migration decisions. When making first order migration decisions, we hypothesize that Venezuelan migrants and refugees who decide to leave home are risk-seeking, in the hope of avoiding certain loss. However, when making decisions about onward travel from border areas in Colombia, we hypothesize that they will be risk-averse, preferring to remain rather than move onwards to avoid losing more than they already have.

Hypothesis 2: A lack of reliable and timely information to act on.

A lack of accurate and timely information makes Venezuelan migrants more likely to take on risky journeys, putting them in more dangerous situations.

Refugees and migrants are likely to have problems with access to reliable information to make real-time decisions. The situations they find themselves in are chaotic and tend to evolve rapidly. In these situations, the need for good information is crucial. For example, information on which countries accept Venezuelans as

refugees, requirements for entry into another country, access to work in other countries and other issues affecting Venezuelan refugees and migrants can change in light of new policies.

Without accurate information at salient times, they may be liable to make suboptimal decisions. Relying on out-of-date and unreliable information, therefore, may increase uncertainty around decisions and lead to faulty decision-making, resulting in poorer outcomes.

Hypothesis 3: A bandwidth tax resulting from experiencing prolonged stress and/or deprivation.

Placed in stressful situations, a “bandwidth tax” on Venezuelan refugees and migrants may push them towards more risky and impulsive choices.

Stressful situations can mean having many competing demands for attention. As a result, stress can alter cognitive functioning and the ways in which people process information and make decisions. The bandwidth tax affects anyone in a situation here they have suffered loss, but it can be a permanent feature for people in poverty according to Mullainathan and Shafir. As some empirical studies indicate, individuals suffering from a bandwidth tax tend to make choices that are riskier and impulsive. It would be reasonable to suppose that the bandwidth tax would similarly affect refugees and migrants, who experience the stress of becoming displaced.

CONCEPTUAL FRAMEWORK

LOSS AVERSION

Excessive fear of loss

INFORMATION GAPS

Increases uncertainty

STRESS, SCARCITY AND BANDWIDTH TAX

Impairs cognitive functioning

Preferences with regard to **risk, uncertainty and time**

DECISIONS

- Destination: where to go
- Journey: how to get there
- Livelihoods: how to support oneself and family

NEGATIVE WELL-BEING OUTCOMES

- Exploitation, abuse, insecurity
- Lack of access to basic services (health, education, etc.)
- Lack of livelihood opportunities and income
- Exclusion, irregular status

POSITIVE WELL-BEING OUTCOMES

- Safety
- Access to basic services (health, education, etc.)
- Livelihood opportunities and income
- Integration, regular status



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Methodology

Sampling

To answer the research questions and test our hypothesis, we conducted interviews and administered a short survey of Venezuelan refugees and migrants in Colombia. We randomly selected our sample from a list of Venezuelans registered by Mercy Corps in a cash assistance program, along the Colombia-Venezuela border. Most refugees and migrants interviewed came from four states in Venezuela: Zulia, Falcón, Carabobo and Caracas. Interviewers

would first try to locate the respondent by the phone number provided. Otherwise, interviewers would ask community members, visit the address given and/or use various social media platforms, such as WhatsApp and Facebook, to try and locate respondents. Once contacted, interviewers arranged to meet with the respondent in a convenient location. Ultimately, we drew a sample of 91 Venezuelans migrants and refugees for the study.

Qualitative Interviews

Interviews included both semi-structured and close-ended questions, with each interview lasting between 45-60 minutes. Three research assistants led the in-person interviews in Spanish, and recorded them using tablets.

Respondents were first asked open-ended questions about their life in Venezuela, their journey to Colombia, and their current living situation in the host

country. Another key theme in the interviews was the decision-making process at each stage of the journey and some of the current choices responders were facing. The aim of the interviews was to gain a richer understanding of the thought process driving migrants' and refugees' decisions about their welfare and potential onward migration. The table below outlines the topics discussed in the interviews.

QUALITATIVE INTERVIEW QUESTIONS

Topic domain	Example questions
1. Life in Venezuela	Socioeconomic status Rapidly of changes that led to flight
2. Economic vulnerability status	Current economic status Change compared to status in Venezuela Education
3. Decision to leave home	Trigger to leave Venezuela Description of the journey so far Expectations in Colombia
4. Onward migration decision	Why travel to Colombia Changing plans once arrived in Colombia Future plans
5. Life in Colombia	Friends and family in Colombia Sources of support (financial and moral)
6. General decision-making	Use of coping strategies, including survival sex What would it take to go back to Venezuela?
7. Access to information	Information available when deciding to leave Venezuela Sources of information Knowledge about opportunities in other countries / parts of Colombia Knowledge of difficulties for travel
8. Scarcity and stress	Level of stress / pressure faced General quality of life

Behavioral Survey

Following the interviews, respondents were asked to complete a 10-15-minute survey through which we assessed three behavioral variables. The interviewers recorded the answers given using Open Data Kit tools on Android tablets. For each of the behavioral variables, we created indices.

Risk preference: Respondents were asked in a series of hypothetical money games to select between options with different levels of potential pay-offs. These games all included certain risk parameters. In each game, the respondents could choose not to play, or play between a series of 50/50 gambles where the expected winnings were the same, but the difference between the payoffs increased (i.e., the choice became riskier). The downsides could be either lower winnings or specified losses. Based on these games, we created a risk index combining the results of the three risk scenarios with a scale of 0-12, where a higher score represents a higher preference for risk.

Uncertainty preference: Respondents were introduced to a game where they would select a ball from a bag filled with different colored balls. They could choose to play a game where the number of

balls was certain, but the probability of winning was 40 percent, or between a game where the probability of winning was unknown. A second exercise asked respondents to choose between different migration options with set probabilities of success and payoffs. Later, respondents were asked the same but without the certain probabilities. We consider the difference between the two answers a “certainty premium”. The answers to these two exercises were summed into an index, with a scale ranging from 0 to 5 where a higher score represents a higher tolerance for uncertainty.

Time preference: Respondents were asked about two scenarios. In the first, they were asked whether they would accept a certain amount of money now or in a month’s time. The amount of money in the future kept increasing until the respondent selected it. Then, a similar scenario in which they were asked to select between receiving money in six months or in seven months. The difference between the two gives the relative amount by which the respondent discounts the future over the present. This results in a time preference score between -1 and 1 where a higher score represents a preference to wait.

Limitations and challenges of study

The main limitations and challenges faced during data collection included the following:

Attrition: Around 40 percent of the sample could not be reached. We did not observe major differences in vulnerability data (from the original vulnerability survey) between those who could not be found and respondents. However, one concern is that those who moved to another location are concentrated group that could not be found.

Sample size: The results, especially the quantitative ones, presented are indicative since the sample size is

small and does not have the power to find statistically significant results.

Hypothetical money games: Our behavioral assessments rely on hypothetical scenarios of monetary rewards. However, evidence from recent studies indicates that decisions and behaviors vary between hypothetical and real rewards, particularly with respect to larger rewards, with people typically being more risk-averse and less impulsive when real rewards are involved.²⁷ As a result, responses to hypothetical money games may not reflect actual decisions and behaviors.

²⁷ Xu, Sihua, Yu Pan, Zhe Qu, Zhuo Fang, Zijiang Yang, Fan Yang, Fenghua Wang, et al., “Differential effects of real versus hypothetical monetary reward magnitude on risk-taking behavior and brain activity,” *Scientific Reports* 8, no. 3712 (2018). <https://www.nature.com/articles/s41598-018-21820-0>



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Key Findings

Situational factors leading to loss aversion

Many refugees and migrants coming from Venezuela have experienced significant losses. Upon first arrival in Colombia, they tend to be more averse to risk and uncertainty, preferring not to move forward because that could mean they lose more.

When it comes to key decisions, including decisions about movement and how to use resources, Venezuelans' preferences with regards to risk, uncertainty and time are critical to how they evaluate and choose among the possible outcomes. We examine these preferences of our sample of Venezuelan refugees and migrants and explore what may be driving them.

The behavioral assessments indicate that our sample is risk-averse, prefers certainty and present payoffs over future ones. When it comes to risk we find, overall that the group was not particularly risk-taking. The overall mean score on our risk index ranging

from 0 to 12 was 4.15. Women were slightly more risk-taking than men (4.21 to 4.00). The sample also preferred certainty over uncertainty. The mean score on the uncertainty index was 2.3, with very little difference between men and women (2.2 and 2.4, respectively). In the uncertainty game, 77 percent opted to select a ball from a bag with a certain number of each color, over picking from a bag where the probabilities were unknown. When presented with hypothetical scenarios about onward travel, respondents opted to stay where they were more often when probabilities of the payoffs were unspecified than when the probabilities were given, indicating an intolerance for uncertainty.

With regards to time preferences, the mean for the sample was $-.062$, implying a slight present bias (giving strong weight to payoffs in the present). Both men and women had a present bias, with women (-0.09) more so than men (-0.006).

We rely on qualitative data from in depth interviews to better understand the basis of these preferences—specifically how situational factors may shape the ways in which

Venezuelans perceive risk, uncertainty and time. The majority of respondents expressed that their migration journeys were difficult. More than half of the respondents (typically individuals who did not have a lot of financial resources or identification documents) indicated taking dangerous, irregular journeys via trochas to reach Colombia. According to interviews, it was common for people to have been robbed, assaulted or even witness the death of loved ones along these journeys. Though most people indicated that they were compelled to leave Venezuela, in Colombia, Venezuelans faced a loss of status, having to rebuild their lives from scratch.

Because of what they had to leave behind and the challenges endured on their journey to Colombia, respondents indicated that now that they have found a safe place, they did not want to make any further risky decisions. This was reflected in the limited onward migration decisions by many. The border areas, where many settle, are relatively economically deprived and opportunities are scarce. Most migrants would potentially be better off in larger urban areas, such as Barranquilla, Cali, Medellin or Bogotá. The Colombian government would likely have greater capacity to provide services in these areas, too. Nonetheless, for most of the respondents,



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when asked about the likelihood of making onward journeys, the prospect of moving and starting again in a new place did not hold much attraction.

Moving to a new place also requires saving resources, but as reflected in the behavioral assessment on time preferences, our sample of Venezuelan migrants and refugees preferred present payoffs over future ones. This too can be explained, in part, by fear of loss. Given how quickly and easily they lost the things they had invested in back home, the continued fear of losing may dissuade some Venezuelans refugees and migrants from investing in an uncertain future. This was especially true in the absence of certainty regarding employment opportunities. **Many reported that they would not risk losing more by preparing to move elsewhere in the absence of guaranteed employment opportunities.**

Information Gaps

People have access to information mostly through friends and family but don't always feel it is very reliable—an important gap humanitarian organizations can fill by providing them with more accurate, and up-to-date information (particularly information about where they can access services and opportunities). This information can help reduce the uncertainty surrounding key decisions migrants and refugees must make.

The majority of respondents depended on their social network for information. Almost every respondent described having at least one friend or family member in another country. Networks that we observed were in Santa Marta, Barranquilla, Cali and Bogotá in Colombia, Peru, Chile, Ecuador, Panama and Spain. The majority of our respondents used online messaging applications like Facebook Messenger and WhatsApp to connect with friends and families abroad prior to and during their journey, and upon entering their host country to gather information. This behavior supports the existing scholarship on social media as a popular channel of communication that allow prospective individuals on the move to be more informed.

Our respondents asked friends and family members prior to their journey about the best ways to travel, including which trochas were safer, what they needed to bring, and how much the journey would cost. For example, one respondent was informed to bring plenty of money in small denominations, in order to make ad hoc payments along the way, so as not to be stuck in a situation of having to give over large amounts of money because there was no change.

Prior to their travels, respondents also received information from friends and family about the quality of life in destination countries. Migrants and refugees expected life to be a little easier once they moved from Venezuela to Colombia. About a quarter of those interviewed suggested they had thought it would be easier to find work or better and higher paying jobs in Colombia.

Some reported that friends and family, who were the main source of information, tended to sugar-coat reality or provide faulty information. One respondent travelled from Maicao, La Guajira to Barranquilla and Santa Marta (about three to five hours respectively via car) to meet a cousin who had, supposedly, organized a job for her. However, when she arrived, the cousin did not show up for the meeting and could not be found. So the respondent felt compelled to return to Maicao.

Respondents were, overall, primarily unhappy about most of the information they received from friends and family, reporting that it was often unreliable. For example, one respondent, who had moved to Riohacha with her three daughters had been surprised by the level of danger involved in traveling by trocha to Colombia. She expressed regret at having exposed her daughters to that danger. She returned to Venezuela for a special family occasion and on her return, she only brought her youngest daughter back with her, not wanting to expose all of them to the danger of the journey. This suggests that, **with better information about dangers, Venezuelan refugees and migrants may take mitigating actions or may reduce risks in other ways.**

Recognizing that the information that they had access to was, on many occasions, difficult to trust, many respondents suggested that humanitarian agencies should provide more information. For many, the type of information they needed was about the availability of public services and livelihood opportunities.

Stress, Scarcity and the Bandwidth Tax

Although the situation in Colombia is dire, many Venezuelans reported they are, in general, much less stressed in Colombia than they were in Venezuela. Stress and scarcity may, therefore, have a greater impact on first order migration decisions, in this case, than on decisions for onward travel.

Almost every individual interviewed reported that they were under severe stress in Venezuela. They lacked access to basic goods and services for themselves and their families and were often exposed to violence.

“I saw so many things, I saw so many murders... in Venezuela you don’t get knifed [held up at knife point], in Venezuela you get shot first and then they steal from you”

—Male respondent in Bogotá

The high level of stress respondents experience prior to and during their journey from Venezuela suggest that migrants and refugees’ bandwidth tax was extremely high, potentially compelling them to make riskier decisions that focus on the present instead of the future. For example, when migrants and refugees must direct their mental energy toward dealing with the day-to-day

challenges--e.g. accessing medical supplies, food and water or avoiding armed criminals along trochas-- they have less mental energy to devote to other important tasks, such as obtaining required documents needed to enter, work and live in another country.

In Colombia, the majority of respondents reported that they were much less stressed than they had been in Venezuela. Though some still have had difficulty finding work and housing, many reported that receiving humanitarian assistance in Colombia—including, specifically, cash transfers—greatly alleviated stress and deprivation, relative to the situation back home.

This suggests that in making second-order decisions about where to go after arriving in Colombia, Venezuelan refugees and migrants may not be

experiencing a significant bandwidth tax and/or that **humanitarian assistance is helping to reduce the potential negative impacts of stress on refugees and migrants’ decision making.**



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Implications and Recommendations

Our analysis indicates that lack of reliable information, stress, and loss aversion influence how Venezuelan refugees and migrants make decisions. It is not possible, based on our analysis, to say which one of these factors is most important. All three seem to impact decision-making.

There are three key implications of these findings in terms of how Venezuelan migrants and refugees make decisions that influence their wellbeing. First, it is clear that the situation in which refugees and migrants find themselves when they make decisions has a big bearing on their behavioral preferences. For Venezuelans who undergo difficult journeys, avoiding further risk and uncertainty is often a natural inclination. This can result in behaviors such as less saving and investing of available resources, and less onward migration to destinations that are more ideal. In terms of wellbeing, this means that some Venezuelans forgo opportunities that could lead to better livelihoods, services (education, healthcare) and shelter in the long-term. Secondly, timely and accurate information provides Venezuelans in Colombia with

more certainty about choices, helping them to take advantage of some of these opportunities that seem too risky. Finally, while stress and deprivation may induce people to make decisions to leave Venezuela in risky ways, once in Colombia, Venezuelans are less likely to make impulsive and risky choices that might put their lives in danger.

We cannot discount that in addition to suboptimal decision-making, other external constraints influence refugee and migrant wellbeing outcomes by limiting their ability to act on decisions. Two key factors already mentioned include cash or capital constraints and the availability of social networks. A person's access to financial resources and social networks in destinations greatly increases their ability to move, should they chose to do so.

These findings highlight a number of key considerations for future programming and research. These can directly apply to responses focused on supporting Venezuelan refugees and migrants, in addition to being relevant to broader contexts of protracted displacement.

To Focus Humanitarian Assistance on Reducing Impaired Decision-making:

Continue basic cash assistance. Cash has been shown in contexts of underdevelopment to reduce stress.²⁸ It is reasonable to suppose that this would be the case amongst Venezuelan refugees and migrants. Moreover, since cash is a common intervention in humanitarian situations given its versatility, it is critical to continue providing cash assistance to refugees and distress migrants from Venezuela. Doing so, can continue to minimize impulsive and risky decision-making, focused only on immediate, short-term needs.

Provide lump sums, rather than small tranches of cash to alleviate capital constraints to onward travel and productive investments.

Research indicates that lump sum cash transfers are more likely to be invested in livelihood assets than smaller tranches, which tend to go towards immediate consumption needs.²⁹ Additionally, one of the main reasons that migrants do not migrate onwards, even though they would like to, appears to be a lack of cash to do so.³⁰ In Colombia, the government has mandated that cash assistance to Venezuelans be limited to no more than \$80 per month. With more flexibility in how much cash can be delivered, humanitarian actors could work with Venezuelans in Colombia, and provide them with seed capital to pursue onward migration to other areas where there are opportunities, should they choose to do so.

Provide decision-counseling by caseworkers to Venezuelan refugees and migrants with helpful advice with regards to key decisions. The simple act of having to justify one's decision or lay out the reasons to another person may be a good way to ensure that the decisions are sound. It is critical that humanitarian actors not dictate what decision will be. Rather, the aim would be to ensure that the decisions reflect what refugees and migrants actually want for their lives, with the proviso that they are not putting themselves in unnecessary risk. In addition to in-person counseling, rules of thumb or forms of decision-counseling that could be delivered as written notes or FAQ guides may be helpful.

Deliver timely, accurate information outlining the alternatives available to refugees and migrants, as well as their rights. Aid actors and governments could provide country profiles or regional profiles (within Colombia or more broadly) outlining the types of work available in those places, what documents are needed to travel and so on. The timing of this delivery of information is important. People tend to respond better to information when it is delivered at salient points (i.e. just as they are about to make the relevant decision). In the case of refugees and migrants this likely means not just as they are registering for assistance, as they may have lots on their minds. Rather delivering information at regular points over the next few months would be more effective. This information could be provided online (via social media) or through mobile phone applications, using a platform such as refugee.info.

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About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



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