



Severing a Lifeline: How the Coronavirus Pandemic Threatens Remittances to Venezuela

AUGUST 2020

Photo credit: Venezuelan refugees in Bogotá selling crafts made of worthless Venezuelan cash: Reg Natarajan, Wikimedia Commons- November 2, 2019

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By Xander Fong¹

Over 5 million people have fled Venezuela to escape its political turmoil, unstable economy, and ongoing humanitarian crisis.² Remittances serve as a crucial lifeline to family members back home; they have become Venezuela's second largest legal source of foreign income after oil and constitute a key driver of local consumption. It is estimated that over two million households in Venezuela, approximately one third of all homes in the country, receive remittances from family members working abroad.³ With Venezuela's oil production plummeting to its lowest

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² The United Nations High Commissioner for Refugees and International Organization for Migration, "UNHCR and IOM Welcome Donor Pledges for Venezuelan Refugees and Migrants," May 2020, <https://www.unhcr.org/en-us/news/press/2020/5/5ecd30d14/unhcr-iom-welcome-donor-pledges-venezuelan-refugees-migrants.html>.

³ Manuel Orozco and Kathryn Klaas, "Money Transfers to Venezuela," Inter-American Dialogue, May 2020, 9, <https://www.thedialogue.org/analysis/money-transfers-to-venezuela-remittance-flows-amidst-evolving-foreign-exchange/>.

levels since World War II⁴ and poverty levels approaching 96 percent,⁵ Venezuela can ill afford a reduction in this indispensable form of aid.

The coronavirus pandemic threatens to cut annual remittances to Latin America overall by more than 19 percent.

However, recent estimates by the World Bank suggest that the global coronavirus pandemic threatens to cut annual remittances to Latin America overall by more than 19 percent.⁶ Mexico appears for now to have defied these projections; remittances from Mexicans abroad have actually

increased during the pandemic.⁷ This phenomenon is likely exceptional, however, given that Mexicans residing in the United States account for 95 percent of Mexico's total remittances.⁸ With the pandemic causing the dollar to reach an all-time high against the peso, migrants are likely sending over additional savings to capitalize on the favorable exchange rate. In addition, U.S. government aid in the form of strengthened unemployment benefits has prevented the income of eligible Mexican migrants from falling significantly, even though they earn on average 21 percent less than other immigrants.⁹

Venezuela is unlikely to exhibit the same remitting pattern. The country will likely face a far larger decrease in remittances than the broader Latin American region given its reliance on migrants working in the informal economies of neighboring Latin American countries, where the majority of the country's remittances originate.¹⁰ Furthermore, the majority of Venezuelan migrants in the United States arrived in the past decade, in sharp contrast to the many Mexican migrants who arrived before 2000;

⁴ Fabiola Zerpa, "Venezuela's Oil Production Plunges to Lowest Level Since 1945," *Bloomberg*, Jul 2020, <https://www.bloomberg.com/news/articles/2020-06-12/venezuela-s-oil-production-plunges-to-lowest-level-since-1945?sref=6KbxdZwj>.

⁵ Universidad Católica Andrés Bello, Universidad Central de Venezuela, and Universidad Simón Bolívar, "Encuesta Nacional de Condiciones de Vida 2019 – 2020," July 2020, <https://www.proyectoencovi.com/informe-interactivo-2019>. Extreme poverty levels are approaching 79 percent.

⁶ World Bank, "World Bank Predicts Sharpest Decline of Remittances in Recent History," April 2020, <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>.

⁷ Jude Webber, "Mexican Migrants Send More Money Home to Help Virus-Hit Economy," *Financial Times*, August 4, 2020, <https://www.ft.com/content/424e695e-fc39-4024-9952-578d39655ab6>.

⁸ Juan Jose and Li Ng, "Mexico | Remittances Reached Historical Record in 2019," *BBVA Research*, Feb 2020, https://www.bbvaresearch.com/wp-content/uploads/2020/02/200204_Migration_Watch.pdf.

⁹ Jie Zong and Jeanne Batalova, "Mexican Immigrants in the United States," Migration Policy Institute, October 2018, <https://www.migrationpolicy.org/article/mexican-immigrants-united-states-2017>.

¹⁰ Manuel Orozco and Kathryn Klaas, "Money Transfers to Venezuela."



Photo credit: People standing in line to withdraw money from the Bank of Venezuela: Johanna Wallace, Shutterstock- May 24, 2019

moreover, these Venezuelan migrants primarily reside in the two states that are the epicenter of the pandemic in the United States – Florida and Texas.¹¹

Although the United States accounts for only 8 percent of Venezuela’s total migrant population, Venezuelan migrants in the United States contribute a disproportionate share of remittances to Venezuela.¹² They contribute upwards of four times as much in annual payments as those residing in other Latin American countries, supplying over a quarter of the total remittances sent to Venezuela.¹³ Compared with the broader U.S. Hispanic population, Venezuelan migrants in the United States are heavily concentrated in a few regions. Whereas the top five metropolitan areas for Hispanics account for only 31 percent of the total Hispanic population,¹⁴ over one third of Venezuelan migrants reside in the South Florida metropolitan area alone.¹⁵ In fact, over 63 percent of Venezuelans in the United States reside in the states of Florida and Texas, suggesting that U.S. remittances to Venezuela will be particularly impacted by

¹¹ Jie Zong and Jeanne Batalova, “Mexican Immigrants in the United States.”

¹² Manuel Orozco and Kathryn Klaas, “Money Transfers to Venezuela.”

¹³ Ibid.

¹⁴ Luis Noe-Bustamante et al., “Facts on Latinos in the United States,” Pew Research, September 2019, <https://www.pewresearch.org/hispanic/fact-sheet/latinos-in-the-u-s-fact-sheet/>.

¹⁵ Luis Noe-Bustamante et al., “Facts on Hispanics of Venezuelan Origin in the United States,” Pew Research, September 2019, <https://www.pewresearch.org/hispanic/fact-sheet/u-s-hispanics-facts-on-venezuelan-origin-latinos/#:~:text=Venezuelans%20are%20the%2013th-largest,to%20421%2C000%20over%20the%20period%20>.

the virus' outsized impact on these two states.¹⁶ Originally drawn by the prevalence of Spanish-speaking communities in the former and the familiar professions offered by the largest-oil producing state, these migrants now find themselves in places that have the 1st (Texas) and 3rd (Florida) highest number of new weekly cases of any U.S. state in mid-August 2020.¹⁷ In the last week of July, Florida and Texas alone reported over 120,000 new weekly cases, representing approximately one third of new weekly cases in the entire country.¹⁸ With business shutdowns accompanying these surging outbreaks, Florida and Texas are expected to be the 4th and 2nd most impacted states respectively in terms of job losses by 2021.¹⁹ Scarred by the prior surge in coronavirus cases due to premature re-openings, Florida and Texas are also likely to see delayed re-openings, suggesting that the decrease in outgoing remittances to Venezuela will not only be severe but also prolonged in nature. In particular, Venezuelans in Texas are likely to be significantly impacted, given their ties to the state's large oil economy. Between 2010 and 2017, the Venezuelan population in Houston, now the second most popular metropolitan hub for Venezuelan migrants,²⁰ tripled as layoffs and mass-firings at Venezuelan's state-owned oil company that first began in 2002 led to a slew of highly skilled oil workers seeking jobs in the Texas oil industry.²¹ Yet in April alone, the

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Venezuelans elsewhere in the United States are unlikely to fare any better. While Venezuelan immigrants tend to be highly educated, with 57 percent holding

¹⁶ Ibid.

¹⁷ "Coronavirus in the U.S.: Latest Map and Case Count," *New York Times*, August 18, 2020, <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html#states>.

¹⁸ Ibid.

¹⁹ Josh Bivens and David Cooper, "Without federal aid to state and local governments, 5.3 million workers will likely lose their jobs by the end of 2021," Economic Policy Institute, June 2020, <https://www.epi.org/blog/without-federal-aid-to-state-and-local-governments-5-3-million-workers-will-likely-lose-their-jobs-by-the-end-of-2021-see-estimated-job-losses-by-state/>.

²⁰ Randy Capps and Ariel Soto, "A Profile of Houston's Diverse Immigrant Population in a Rapidly Changing Policy Landscape," Migration Policy Institute, September 2018, <https://www.migrationpolicy.org/research/profile-houston-immigrant-population-changing-policy-landscape>.

²¹ "Brain Haemorrhage: Venezuela's Oil Diaspora," *The Economist*, July 19, 2014, <https://www.economist.com/the-americas/2014/07/19/brain-haemorrhage>.

²² Sergio Chapa, "Texas Oil and Gas Industry Cut Record 26,300 Jobs in April," *Houston Chronicle*, May 2020, <https://www.houstonchronicle.com/business/energy/article/Texas-oil-gas-industry-shed-record-number-of-15294860.php>.



Photo credit: Venezuelans lined up in Ecuador's customs to stamp their passports and continue their journey: UNICEF Ecuador, Wikimedia Commons- August 8, 2018

at least a bachelor's degree (a rate almost 25 percent higher than both foreign-born and U.S.-born adults), they are now more likely than other immigrants to live below the official poverty threshold despite the influx of wealthy Venezuelans in the early 2000s fleeing the Hugo Chávez administration.²³ With 57 percent of the Venezuelan migrant population having entered the United States in the last decade, these newer immigrants often small business owners and professionals such as teachers, doctors, or lawyers fleeing the country in desperation. This stands in stark contrast to those of substantial wealth who arrived shortly after Chávez came to power in the late 1990s.²⁴ The majority of recent migrants enter on tourist visas and subsequently apply for asylum.²⁵ Unfortunately these new immigrants are also those most vulnerable to the pandemic; the vast majority of Venezuelan asylum cases are submitted in Miami,²⁶ a city that has become a hotspot of coronavirus infections.²⁷ With one quarter of

²³ Luis Gallardo and Jeanne Batalova, "Venezuela Immigrants in the United States in 2018," Migration Policy Institute, April 2020, <https://www.migrationpolicy.org/article/venezuelan-immigrants-united-states-2018>.

²⁴ Ibid.

²⁵ Frances Robles and Miriam Jordan, "Venezuelans Living in America Watch Crisis Back Home with Hope and Caution," *New York Times*, January 24, 2019, <https://www.nytimes.com/2019/01/24/us/venezuelans-florida-noticias-news.html>.

²⁶ Anthony Faiola and Nick Miroff, "As Trump Tightens Asylum Rules, Thousands of Venezuelans find a Warm Welcome in Miami," *Washington Post*, May 2018, https://www.washingtonpost.com/world/national-security/even-as-trump-tightens-asylum-rules-thousands-of-venezuelans-find-a-warm-welcome-in-miami/2018/05/15/5e747fec-52cf-11e8-a551-5b648abe29ef_story.html.

²⁷ Greg Allen, "Miami is Becoming the Epicenter of the Pandemic, Expert Warns," NPR, Jul 2020, <https://www.npr.org/sections/coronavirus-live-updates/2020/07/14/890756801/miami-is-becoming-the-epicenter-of-the-pandemic-expert-warns>.



Photo credit: Exchanging Venezuelan bolívares for dollars: Sunsinger, Shutterstock.

Venezuelan migrants lacking health insurance coverage, navigating the city's contracting job market proves even more precarious.²⁸ Almost half of Venezuelans in the United States work in services, production, transportation, and material moving industries, sectors that have come to a near halt given preventive lockdown measures.²⁹ Typically during financial crises, the gig economy serves as an alternative source of income for laid-off immigrants when they can no longer depend on their previous employment. Venezuelan migrants without health insurance coverage, however, must now take on these consumer-facing jobs at the risk of financial catastrophe should they become ill. Around a quarter of U.S. citizens overall have no emergency savings; and recent Venezuelan migrants are even less likely to have savings to pay for the hefty medical bills in the case of infection.³⁰

The vast majority of Venezuelan migrants have gone to Latin American countries such as Colombia, Peru, Brazil, and Chile; the flow of remittances from these countries is likely to see an even greater deterioration due to migrants' heavy reliance on work in the informal economy. Whereas the informal economy comprises less than 20 percent of the U.S. workforce, in the Latin American region as a whole, approximately half of all

²⁸ Luis Gallardo and Jeanne Batalova, "Venezuela Immigrants in the United States in 2018."

²⁹ Ibid.

³⁰ Quentin Fottrell, "Nearly 25% of Americans Have No Emergency Savings," *Market Watch*, June 2020, <https://www.marketwatch.com/story/nearly-25-of-americans-have-no-emergency-savings-and-lost-income-due-to-coronavirus-is-piling-on-even-more-debt-2020-06-03>.

workers derive their income from the informal sector.³¹ Colombia is the country with the largest population of Venezuelan migrants anywhere in the world; but nearly half of the Colombian labor force works in the informal sector—for example, selling on the street, cleaning houses, or serving as couriers for food delivery companies.³² The participation rate of Venezuelan migrants in Colombia's informal economy is even higher, approaching 90 percent.³³ Rappi, Colombia's largest on-demand delivery startup, has recently been criticized for piggybacking its rapid expansion on the large Venezuelan migrant workforce.³⁴ Cabify, a Spain-based rival of Uber, estimates that 60 percent of its drivers in Panama are Venezuelan nationals.³⁵

With many Latin American countries implementing strict lockdown measures forbidding non-essential activities, Venezuelan migrants working in the informal sector

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have seen their incomes evaporate. In an attempt to aid those who have little savings, some Latin American countries have provided social and economic support to informal workers impacted by the pandemic. However, government measures often do not include immigrants and refugees, with around 95 percent of

Venezuelans in Peru reporting not having received any institutional help since lockdown despite government measures to provide economic and social support.³⁶ As a result, Venezuelan migrants working in the informal economy find themselves in a difficult predicament: unable to receive employer-sponsored health insurance, they are at extreme health risk with the growing cases of coronavirus. However, unable to receive

³¹ Philippe Marcadent, "Women and Men In the Informal Economy: A Statistical Picture," International Labour Office – Geneva, 2018, page 93, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf.

³² "Empleo Informal Creció 0,5 Puntos y Alcanzo el 48,5%," *Portafolio*, July 13, 2018, <https://www.portafolio.co/economia/empleo/empleo-informal-crecio-0-5-puntos-y-alcanzo-el-48-5-519066>.

³³ Daniel Pardo, "Crisis en Venezuela: 5 cosas que estan cambiando en Colombia con la llegada de 2 millones de inmigrantes," *BBC News*, February 17, 2020, <https://www.bbc.com/mundo/noticias-america-latina-51469238>.

³⁴ Jim Wyss, "How a billion-dollar Colombian delivery app became a lifeline for Venezuelan migrants," *Miami Herald*, May 20, 2019, <https://www.miamiherald.com/news/nation-world/world/americas/venezuela/article230530169.html>.

³⁵ Matthew Carpenter-Arevalo, "Desperate for Jobs, Venezuelan Immigrants Turn to Ride-Hailing Services Across Latin America," *TechCrunch*, May 2018, https://techcrunch.com/2018/05/27/desperate-for-jobs-venezuelans-turn-to-gig-economy-work-that-makes-them-targets-across-latin-america/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAALHj3TkK1vLqdoROcsoLsUXU0v_WdNQdUAFxNs5zAbtTeNaheR_9pg0K3cKaG8SwwkchfPWbDDO7OmUeig54UV8eut6PQoFi6f0v00OlaQviji7am2cS250u5uMnHzQVfdsLOO-RVlo4AiGhGT-TkjiLfxs2AzxWVLE777_FOrkcQ2.

³⁶ Marta Luzes and Feline Freier, "What Fate for The Venezuelan Migrants Stranded in Peru," *Open Democracy*, July 2020, <https://www.opendemocracy.net/en/pandemic-border/what-fate-venezuelan-migrants-stranded-peru/>.

unemployment benefits and often illegible for economic stimulus from local governments, they cannot afford to quarantine and forego work.

Unable to pay for food or rent, a significant number of Venezuelan migrants have opted to return home, despite the country's ongoing humanitarian crisis. Since March 2020, at least 85,000 Venezuelans in Colombia have crossed the border back into Venezuela; this group is estimated to contribute about 1 percent of annual remittances.³⁷ A spike in coronavirus cases in Venezuelan border states such as Zulia and Apure has led the Venezuelan government to blame returning migrants from Colombia, even though its own approach has been widely criticized internationally.³⁸ With the heightened possibility of COVID-19 exposure and a failing healthcare system, Venezuelans are in more dire need of cash infusions than ever. Yet with lockdown measures crippling the informal economies that migrants rely on across Latin America, and the concentration of Venezuelan migrants to the United States in states with high rates of infection, remittances are likely to be severely impacted beyond current projections.

³⁷ Associated Press Television News, "Venezuela Migrants Finally Start the Journey Home," *Republic World*, July 2020, <https://www.republicworld.com/world-news/rest-of-the-world-news/venezuela-migrants-finally-start-the-journey-home.html>.

³⁸ Ana Herrero et al., "As coronavirus explodes in Venezuela, Maduro's government blames 'biological weapon': the country's returning refugees," *Washington Post*, July 19, 2020, https://www.washingtonpost.com/world/the_americas/coronavirus-venezuela-migrant-maduro/2020/07/19/582c659c-c518-11ea-a99f-3bbdfb1af38_story.html. See also, Tamara Taraciuk Broner and Kathleen Page, "Stuck at Venezuela's Border with Covid-19 All Around," *Caracas Chronicles*, July 15, 2020, <https://www.caracaschronicles.com/2020/07/15/stuck-at-venezuelas-border-with-covid-19-all-around/>.