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Abstract

Following Venezuela's economic collapse, millions have fled the country. This paper assesses the impact of this phenomenon on the labor market outcomes of immigrants and non-immigrants in Colombia, the major recipient of refugees. We address potential endogeneity problems using an instrumental variable approach that exploits the regional variation of migrant networks and the timing and intensity of the Venezuelan economic crisis. Migration flows increase unemployment among immigrants, but have no significant effect on nonimmigrants, partly because immigration significantly reduces labor participation, offsetting the negative impact on employment. Employment losses among non-immigrants are mostly driven by self-employed workers and are consistently larger for female, young, and low-skill individuals. The effect on immigrants is mostly driven by foreign immigrants, as the impact on returnees is smaller in magnitude and significance. We also find sizeable negative effects on internal migrants' labor outcomes and changes in internal migration flows.