CHAPTER 9

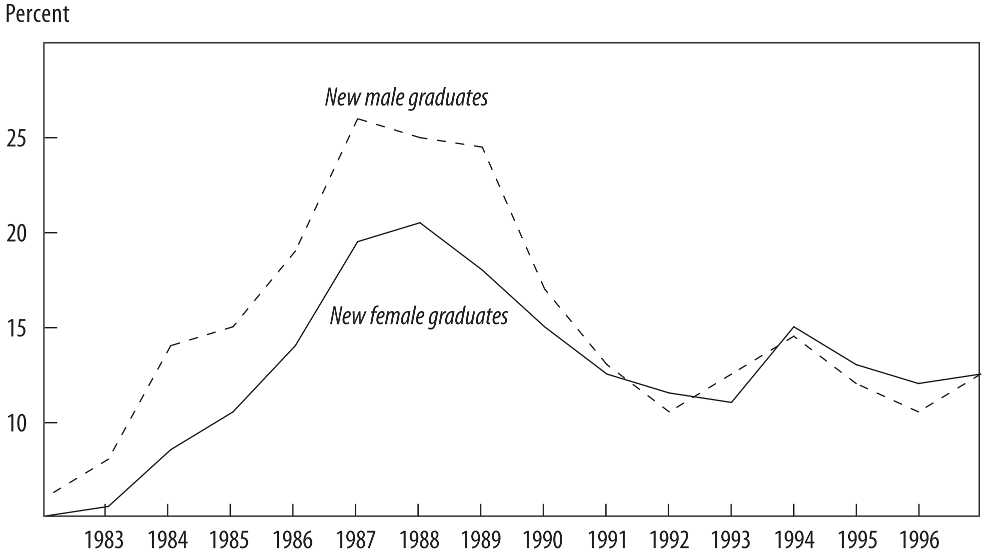
Better than Before? The Role of Returning Emigrants

Thus far our discussion of emigration and its implications has assumed that it is a permanent decision. In reality, many emigrants eventually return to their country of birth, raising the possibility that the "time spent away" can be turned to the advantage of the home country. The question of interest here is how time spent abroad allows emigrants to accumulate human, entrepreneurial, financial, and social capital beyond what they would have accumulated if they had never left. With such accumulation, any negative effects from their absence on those remaining behind (TRBs) must be balanced against the enhanced impacts upon return. It is also important to consider why emigrants might return, what is known about the numbers and types that are returning, and the effects that they can have on their home countries upon resettlement.

Why Return?

A crude but useful distinction to make in examining returns is between those stemming from "mistakes" and those from "plans." We interpret mistakes broadly. The most obvious mistake occurs when someone emigrates on the expectation that the income gain will outweigh the costs of emigrating, including the money equivalent of the utility loss from being away from family and friends. If the anticipated income gain does not materialize, or being away proves more of a hardship than expected, the emigrant may later reverse the decision to live abroad. The mistake

Figure 9-1. New Irish Graduates Overseas, 1982–97



Source: Adapted from Lydon (1999); original data from Higher Education Authority, First Destinations Survey.

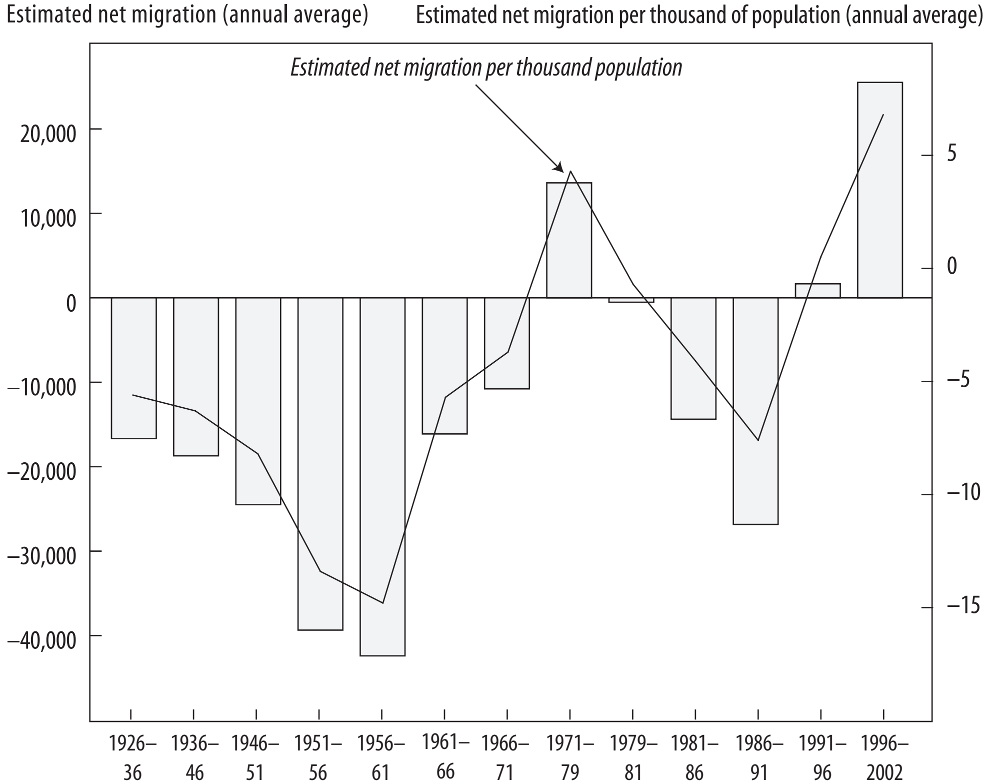
might not be due to an obvious miscalculation on the part of the emigrant, however, but to unforeseeable changes in circumstances at home or abroad. By way of example, consider the huge turnaround in the Irish economy in the 1990s, which lured many emigrants to return—a large number of whom left thinking they had bleak economic futures in Ireland in the 1980s, when Irish economic performance was anemic at best.

Between 1982 and 1989 employment fell by 5 percent, causing unemployment to hover in the midteens.[1] Throughout this period, tertiary education enrollments continued to expand strongly, growing by 64 percent over the course of the decade.[2] This followed the rapid growth of the 1950s (56 percent), 1960s (129 percent), and 1970s (92 percent). The dire labor market and the precedent of emigration in hard economic times were bound to lead a number of new graduates to move abroad.

Government surveys on Irish graduate emigration from 1982 to 1997 show that male graduate emigration rose from around 6 to 25 percent over this period (figure 9-1).[3] Female graduate emigration

1. OECD (2000).
2. Clancy (2001).
3. See Lydon (1999).

Figure 9-2. Estimated Annual Net Migration to Ireland



Source: Central Statistics Office, *Census 2002, Preliminary Report* (Dublin: Stationery Office, 2002).

exhibited a similar trend, peaking at around 20 percent. The Irish economy was clearly losing a substantial fraction of the human capital it was producing.

These numbers changed with the economic turnaround of the 1990s. Employment almost doubled (47 percent) between 1989 and 1999.[4] At that point, graduate emigration fell sharply (figure 9-1), especially for male graduates. Moreover, as the boom gathered pace, graduates who had left during the 1980s began to return home.

This upturn came at the end of a long period of migration that started at Irish independence in the 1920s (figure 9-2). Conditions grew particularly bleak in the 1950s, prompting many young people with limited

4. OECD (2000).

Table 9-1. Residents of Ireland on Census Night 2002 Who Lived outside the State for One Year or More
Number of residents

Year residence taken up in Ireland	*Country of previous residence*				
	Total	*U.K.*	*Other EU*	*U.S.*	*Other*
Before 1951	7,520	5,980	191	604	745
1951–60	16,048	12,973	369	1,153	1,553
1961–70	50,615	39,492	1,330	4,573	5,220
1971–80	86,967	66,752	3,375	5,825	10,745
1981–90	89,258	56,263	6,844	9,899	15,892
1991–95	98,379	62,171	8,952	10,489	16,767
1996–2002	252,383	121,226	27,991	24,431	78,735
Not stated	43,544	9,961	2,700	1,708	29,175
Total	644,444	375,178	51,752	58,682	158,832

Source: Central Statistics Office, *Census 2002, Principal Demographic Results* (Dublin Stationery Office, 2003).

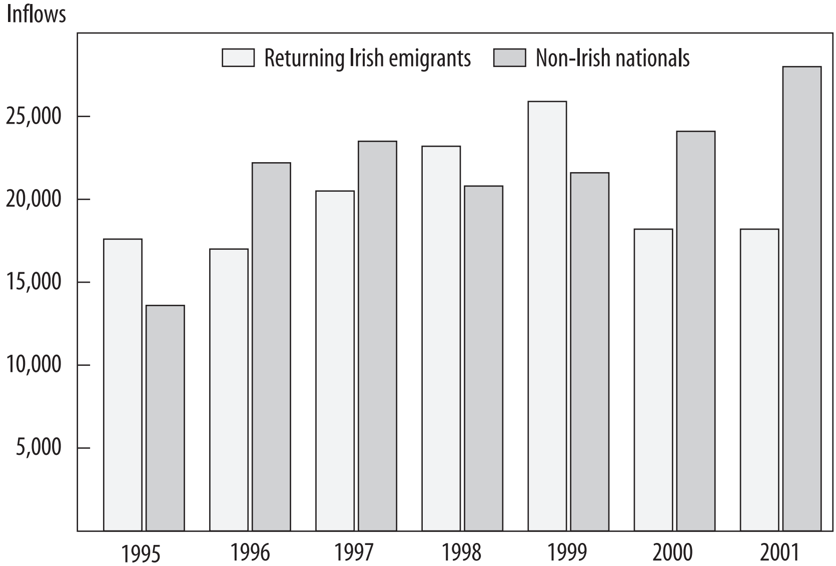
educations to leave for the United Kingdom. As the economy picked up in the 1960s and 1970s, the outflows subsided, and a significant net inflow was recorded during the 1970s. However, macroeconomic mismanagement, industrial restructuring away from indigenous labor-intensive manufacturing, and poor global economic conditions combined to produce net emigration again in the 1980s. Although many observers are divided on the factors responsible for the changes of the late 1980s, few would disagree that Ireland experienced a growth miracle through the 1990s.[5]

Table 9-1 shows the number of people aged one year and older (usually resident in Ireland and present on census night in 2002) who had spent at least one year outside the country. This measure captures both immigrants and the returning Irish population. In total, 644,444, or 16.5 percent of the entire population, were classified as such. Of those who stated the year they took up residence in Ireland, 42 percent reported doing so between 1996 and 2002.[6] Assuming that relatively

5. The most plausible explanation is that Ireland had been on a path of long-term fast growth for some time, underpinned by its initial backwardness and thus the opportunity for catch-up growth, increased investments in education starting in the 1950s, and its openness to trade and foreign investment. The 1980s debacle was the result of poor macroeconomic conditions—partly brought on by earlier fiscal profligacy—and the unfolding of the creative destruction of older labor-intensive manufacturing industries in the context of rigid and excessive real wages in low-productivity firms.

6. Of the total, 36 percent were between the ages of 25 and 39 on census night.

Figure 9-3. Migration Flows to Ireland: Returning Irish Emigrants and Non-Irish Nationals, 1995–2001



Source: Central Statistics Office, *Population and Migration Estimates* (Dublin: Stationery Office, 2001).

few U.S. citizens moved to Ireland during this period, it is reasonable to suppose that most of the 24,431 individuals who reported the United States as their previous residence were returning Irish emigrants.

Between 1995 and 2001 the number of returnees peaked at more than 26,000 (in 1999), before falling to just over 18,000 in 2000 and 2001 (figure 9-3). Labor force survey data from the mid-1990s confirm that the returning Irish were highly educated:[7] 58 percent of those born in Ireland but not resident there in the previous 12 months had a third-level degree, whereas only 29 percent of the nonreturnees in the labor force had reached the same level. For the 30–39 age group, 50 percent of returnees had a third-level education, compared with 26 percent of the nonreturnee population. Thus returning emigrants provided a significant boost to human capital resources at a time that skill shortages were becoming more apparent.

To determine how the time spent abroad affects the productivity of returnees, Alan Barrett and Philip O'Connell estimated an earnings

7. Barrett and O'Connell (2001).

equation for the 1992 cohort of graduates.[8] Using earnings data from 1998, they found that returnees earned a 5 percent premium over those who never left. The premium differed sharply between men and women, with male returnees earning a 10 percent premium and female returnees earning no premium at all. For emigrants who seemed to have left for labor market reasons, the premium was even higher: 8 percent overall and 15 percent for men. Again, the premium for women was essentially zero (with a point estimate of –1 percent). When Barrett and O'Connell examined the premium for separate industries, they found the computer sector had the highest overall premium, at 16 percent. In contrast to the all-industry results, women actually had a higher premium in the computer industry (21 percent) than men did (11 percent).[9]

There is also evidence that returning skilled emigrants have kept skill premiums from increasing much at a time when the demand for skill is rising strongly.[10] This is consistent with the overall beneficial effect of returnees because the increased surplus to existing factors of production due to returning emigrants depends, in part, on their effect on domestic wages. It has been calculated that between 1996 and 1999, with a net immigration of 16,000 persons a year (assumed to be all skilled), the supply of skilled labor increased by 3.2 percent and skilled wages declined by 4.7 percent.[11] A standard social surplus calculation based on these estimates yields a total gain to the preexisting population of less that one-tenth of 1 percent of the skilled wage bill.[12] This calculation, however, ignores any fiscal benefits from bringing in individuals likely to make positive net fiscal contributions, any benefits from increased scale

8. Barrett and O'Connell (2001).

9. Barrett and O'Connell considered different explanations for why returnees have higher earnings than those who stay. In addition to the human capital accumulation story, they also considered the possibility that emigration is a signal of quality (positive or negative) and that it is the more able individuals (with ability unobserved by the econometrician) who choose to emigrate. Although cautious in their conclusions, they consider their results more supportive of the explanation based on human capital than on the signaling of self-selection.

10. Barrett and O'Connell (2001).

11. Barrett and others (2000).

12. Applying the standard social surplus calculation (ignoring fiscal effects and externalities) yields a small surplus gain, equal to 0.07 percent of the skilled wage bill. We can calculate the surplus gain as a share of the initial skilled wage bill as $1/2 \times \varepsilon \times (N/S)^2$, where ε is the elasticity of the skilled wage with respect to the skilled labor supply, N is the net immigration of skilled workers, and S is the initial supply of skilled workers (see Borjas 1995). The elasticity of the wage with respect to the supply of skilled labor is given by the ratio of the percentage change in the wage divided by the percentage increase in skilled labor, approximately 1.5.

or spillovers from the expanded skilled labor supply, the benefits of providing unique skills to the Irish economy, or the investment induced by larger (and cheaper) supplies of skills.[13]

Thus it appears that over the latter half of the 1990s returning Irish with augmented skills fueled the Irish economy in general, and the high-tech sector, in particular. With current evidence, it is hard to determine exactly how much the Irish economy has benefited from the resulting improvement in skill availability and cost. The Irish high-tech industry's active recruitment of citizens living abroad indicates that it had much to gain by their return home. Consider, for example, the establishment of Opportunity Ireland in 1998 by Enterprise Ireland, the agency responsible for indigenous industry development. The purpose of this new service was to highlight opportunities for expatriates in the software and electronics industries. That Opportunity Ireland has been disbanded, however, may be a sign that the pendulum is swinging once again.

As in other mistake-driven returns, emigrants in the Irish case initially expected the departure to be permanent. By contrast, some emigrants plan an eventual return, in many cases for retirement. Christian Dustman has developed a life-cycle planning model in which emigrants actually plan for a return during their *working life* and thus have the potential to generate substantial surpluses for TRBs.[14] What sort of factors would lead someone to go abroad with a firm intention of returning? Most obviously, people leave temporarily to accumulate capital—human, entrepreneurial, financial, and social. Someone hoping to set up a software business at home, for instance, might first go abroad to get an advanced degree and gain experience in a particular field, with a view to developing business ideas and confidence, accumulating start-up capital, and establishing connections and reputations. But there are other reasons for planned returns. Complementarities between consumption and home location often provide a strong incentive to return—a preference for the type of lifestyle and prestige that money can bring at home, for example. Another factor drawing people home might be the lower price of nontraded goods, which can mean that wealth

13. On the other hand, it also ignores negative spillovers from rising road congestion and increased pollution. Furthermore, it ignores any distributional effects that stem from rising housing and land prices.

14. Dustman (1996, 2001). In the later model, Dustman shows that migration durations may actually be negatively related to the wage differential. Micro data for Germany are used to provide evidence consistent with the hypothesis on the negative wage differential effect.

accumulated from high incomes in rich countries can have much greater purchasing power when brought back to poor countries.[15] In addition, people are likely to value different things at different stages in their lives, such as having foreign experiences when young but later wanting to expose their children to home-country traditions and values.

Who Returns?

Return migration is by no means infrequent. Although there is little longitudinal evidence on immigrant cohorts, figures that are available suggest that large numbers of emigrants eventually return to their home countries. A study of immigrants who moved to Sweden in 1970 found that more than half had returned to their home countries after 20 years.[16] Looking instead at long-term inflows and outflows, the U.S. Bureau for Citizenship and Immigration (formerly the Immigration and Naturalization Service) reports that between 1900 and 1990 approximately 38 million immigrants were admitted to the United States and approximately 12 million foreign-born persons emigrated, suggesting a return rate of roughly 30 percent. The bureau also reports an increase in the return rate over time.

Some estimates also exist for the rates of immigrants who came to the United States between 1970 and 1974 and between 1975 and 1980 and had left by 1980.[17] The figures were arrived at by comparing the number of legal immigrants admitted during the two periods with census estimates of both the foreign-born population present in the United States in 1980 and the breakdown of who had entered during those periods. Adjustments were made for the illegal population and legal nonpermanent residents. Considering the difficulty of making such adjustments, one must approach the results with considerable caution, although they do capture the undoubtedly great variation in the incidence of return across regions and countries, as well as the relatively high return rates after even a short period away. For the 1970 to 1974 cohort, the overall return rate was 21.5 percent. Broken down by region, return rates were 23.8 percent for Europe, 11.5 percent for Asia, 39.3 percent for Africa,

15. Thus while real incomes may fall dramatically upon return, even after correcting for a lower cost of living, overall purchasing power may be substantially higher when the purchasing power of wealth is accounted for.

16. Klinthall (2003).

17. Borjas and Bratsberg (1996).

26.0 percent for North America, 25.1 percent for South America, and 43.4 percent for Oceania.

Empirical interest in the issue of who returns appears to have focused more on how well immigrants assimilate in destination countries than on the likely contributions of returnees once they return. To see how returnee "selectivity" affects assimilation estimates, suppose that it is the least skilled that return. In this case, the average "quality" (as measured by earnings, for example) of a given immigrant cohort will tend to rise over time, giving a distorted impression of assimilation.

The limited literature on assimilation suggests that returnees are *negatively selected*. According to recent estimates for Denmark, Norway, and Sweden, the least successful emigrants, as measured by earnings and labor market attachment, tend to return.[18] A cross-country sample that provides evidence of a more subtle selectivity effect indicates that returns tend to augment the direction of the initial selectivity of the immigrant pool from a given country.[19] Suppose that immigrants from Mexico are by and large low skilled. The returnees from any given cohort will tend to be the more skilled, further lowering the skill level of a given immigrant cohort over time. On the other hand, if a country loses many of its highly skilled (India is a good example), the findings suggest that it is the less skilled from this group that are most likely to return. This implies that the most talented are likely to make their contributions—if any—to the economy of the country of origin as members of the diaspora rather than on their return.

Domestic residents who have gone abroad for high-level study are a very important class of potential returnees. In this case, the express purpose of the emigration is to acquire additional human capital. But how many foreign students eventually return? Looking at the number of doctoral recipients from U.S. universities by country of origin for 1990 and for 1999 and at the percentage of the emigrant population that has "firm plans to stay" in the United States (see table 2-11), one can use the percentage without such plans as a crude measure of the return rate.[20] Of this group, 64 percent had firm plans to stay in 1990, and the figure rose to 68 percent in 1999. In the science and engineering fields,

18. See Husted and others (2000), Longva (2001), and Edin and others (2001), respectively. A second common finding is that the probability of return decreases with time spent in the destination country.

19. Borjas and Bratsberg (1996).

20. Of course, some students without firm plans to stay will end up choosing to stay, and some of those with firm plans to stay will eventually return.

the percentage planning to stay jumped from 45 to 73 percent. For doctoral students from China and India, the percentage in science and engineering without firm plans to stay in 1999 was only around 10 percent. This is consistent with a survey of the Silicon Valley diaspora (see chapter 7) in which many of the highly educated individuals interviewed had received their highest degree in the United States.[21] It is likely that the high-tech boom in the late 1990s had something to do with this group's increased reluctance to return.[22] However, anecdotal evidence suggests that the bursting of the technology bubble and the sharp growth of offshoring has generated an increase in return rates, especially to China and India. This is to be expected, however, for, as in the case of South Korea and Taiwan in earlier years, once technology sectors take off in source-country economies, return migration of the highly skilled increases.

Nonetheless, the aforementioned studies on the negative selection effects of return migration seem to miss several critical elements in the selectivity attributes of return migrants. Although few among the highly skilled return, those who do are likely to have a utility function that places greater weight on the public good rather than private returns. Indeed, if only the latter mattered, there would be little reason to return. Furthermore, such individuals are likely to have a greater commitment to institution building, which is a nontradable public good with returns that cannot be appropriated privately. If this is true, the benefits for the country of origin may be quite substantial.

What Effects?

The impact of the highly skilled on development is just beginning to capture the attention of economists.[23] Studies to date range from econometric analysis of labor force samples to detailed interview-based research.[24] In a work on the entrepreneurial behavior of returnees to Egypt, the authors conclude:

21. Saxenian (2002).

22. Note that the return rates are somewhat high for Brazil and Mexico. Both of these countries have fairly high inequality, so that the highly skilled fare quite well in domestic labor markets. The high return rate is consistent with Borjas and Bratsberg's (1996) argument that emigration from high-inequality countries will be biased toward the low skilled and return emigration will be biased toward the high skilled.

23. Sociologists have long studied the effect of returns on receiving communities.

24. For an econometric analysis, see McCormick and Wahba (2003) and Barrett and O'Connell (2001). Ammassari's (2003) work was based on interviews.

> The evidence provides a clear indication of how overseas migration to higher wage economies, for even comparatively short spells, can enable future new entrepreneurs to accumulate financial capital on a scale not otherwise possible, and to accumulate useful new skills. We find a higher rate of "entrepreneurship" amongst return migrants than in the same sample prior to international migration; relatively high education levels and longer durations overseas amongst new entrepreneurs. . . . In an econometric model of entrepreneurial activity we find evidence supporting the hypotheses that overseas savings, [and] the duration of the stay overseas, both have positive effects on becoming an entrepreneur. The economic contribution of return migrants in this sample supports the view that overseas work experience in a high wage country can play a useful role in the development process.[25]

As mentioned earlier, returning Irish emigrants have been found to be more skilled than the permanent labor force, and, after controlling for observable human capital characteristics, returning male emigrants earn a premium over their nonemigrant counterparts, though no such premium is found for female returnees.[26] Thus, at least for the men, it seems that time spent abroad does increase nonobservable human capital. Still, a positive selection explanation—the most skilled were the most likely to leave in the first place—cannot be ruled out.

Interviews exploring migration and development in West Africa reveal that while older cohorts of emigrants were more concerned with nation-building tasks, more recent cohorts are likely to create an impact through entrepreneurship.[27] In certain instances, returnees were instrumental in introducing new work practices and technologies and in stimulating investment. On the negative side, access to capital and regulatory constraints on private sector enterprise restricted the entrepreneurial efforts of returnees, as did the conflicting perspectives of the returnees and TRBs.

At one end of the returnee spectrum, exiles and diasporas have played an important part in the experiences of some of the renowned political figures of the last century who returned to transform their countries: Lenin, Gandhi, Nehru, Nkrumah, Ho Chi Minh, Kenyatta, the Young Turks, Cho En Lai. In the last few years, in Kampuchea, East

25. McCormick and Wahba (2003, p. 5).
26. Barrett and O'Connell (2001).
27. Ammassari (2003).

Timor, Afghanistan (Karzai), Palestine (Arafat and Abu Mazen), Lebanon (Hariri), and perhaps Iraq, returning elites are playing an important, if not necessarily positive, role in their societies. On an even broader scale in Jamaica—with a diaspora about as large as the island's population—there has been a recent upturn in return migration, driven by an improvement in the country's fortunes and "a perception that returning exiles can assume higher levels of responsibility at home, and at a much younger age, than they could in Britain or America."[28] And this is not only in business but also in politics, where political parties are giving returnees prominent positions because weary voters see this group as an improvement on the "often sterile, partisan pettiness" of entrenched politicians.

Similarly, many residents in industrialized countries view members of a diaspora, especially those of the professional classes, as the experts on their countries of origin. Insofar as some professional emigrants have political ambitions of their own, their interpretation of their country of origin can be designed to ingratiate themselves with the country of residence rather than as an objective analysis. Even if that is not the case, many of them have been out of touch with their countries of origin and are locked in an imagined past.

In some cases, even brief periods of exposure can have long-term influence, as illustrated by cultural exchanges, which were important channels of influence and persuasion in Soviet-American relations during the final decades of communism. Some 50,000 skilled Soviet citizens—scholars and students, scientists and engineers, writers and journalists, government and party officials, musicians, dancers, and athletes (and embedded KGB personnel)—visited the United States between 1958 and 1988 under various exchange programs, which brought an even larger number of Americans to the Soviet Union. These programs helped raise the Iron Curtain by paving the way for changes that led to Gorbachev's *glasnost* and *perestroika,* and to the end of the cold war.[29]

Millions of lower-skilled migrants, many of whom left because of economic distress or political chaos, occupy the other end of the spectrum. They either take up jobs that make little use of their human capital (as in the case of Ecuadorian graduates acting as home-care workers in Spain) or low-skilled ones that lead to a dead end (such as retail jobs in the Middle East). Although these jobs pay much better than comparable ones

28. "Bright Jamaicans Are Going Home, Which Is Good News for Their Country," *Economist,* October 11, 2003, p. 62.

29. Yale (2003).

in the country of origin, they do little to augment human capital and networks. The many domestic-care jobs that are performed by immigrants from South Asia in the Gulf or from Central America in the United States offer few opportunities for learning. However, the social effects may be more important, in that return migrations can be a powerful force for social change. Japanese women who went abroad in the 1980s and 1990s as the wives of executives involved in foreign direct investment, for example, "saw how women were treated in the West today; and many went back as silent, sometimes active revolutionaries."[30]

In some areas, such as agriculture and construction, human capital may be augmented largely through learning by doing. Many immigrants work in these sectors, frequently in seasonal jobs, which entail substantial circulation. Examples include Romanian farm labor in France, North Africans in Spain, or Mexicans in California. One might think that such movement could lead to the diffusion of agricultural technologies from the host to the source country. There is little systematic evidence that this is happening, however. Insofar as agricultural labor is migrating across ecological zones, the technologies may simply be inappropriate to the home county's soils and climates. It is also possible that there are no systematic programs to provide the complementary inputs (credit, roads, and the like) that could harness the technological skills acquired by large numbers of returning agricultural laborers.

In the case of construction, overseas Korean and Bangladeshi construction workers provide an instructive contrast. When Korea was hard hit by oil price hikes in 1973–74, it sought to earn foreign exchange to pay for the more expensive oil by sending workers to the Middle East. Domestic firms bid on construction projects in the Middle East and took Korean workers with them.[31] The project management skills learned by Korean construction firms and the new skills acquired by workers were then applied to the large construction projects in the Korean heavy and chemical industry drive of the 1970s and 1980s. By contrast, the high numbers of Bangladeshi workers currently employed in construction in Singapore are showing little sign of stimulating technological change in that sector back home despite their exposure to superior technologies.

30. Jagdish Bhagwati, "The Same the Whole World Over," *Times Literary Supplement,* November 8, 2002, p. 12.

31. There were 395 Koreans in the Middle East in 1974 and 162,000 in 1981, by which time about a seventh of Korean construction workers were employed in the Middle East. For a 48-hour week, they earned monthly wages of $750, and in 1981 they remitted $1.4 billion to Korea.

The return of augmented human capital is not an unequivocal blessing for the receiving country, especially if it brings someone with a criminal record to the country of citizenship. These criminals are much more experienced in the use of firearms than those at home and have substantially greater human capital in criminal technology. As a result, violent crime in many Central American countries soared following the return of these criminals.[32] Under a March 2002 agreement, Cambodia agreed to take back about 1,400 Cambodians convicted of crimes in the United States over the next decade (about 10 a month). Most of the returnees left as small children in 1979 and 1980 and have no memory of Cambodia. These criminals, many of whom were convicted of crimes in Southern California gang wars, are more proficient with sophisticated technology, and the return of such human capital to a country still recovering from three ruinous decades could prove to be disastrous.

Conclusion

Several trends can be inferred from the limited data on the return rates and characteristics of emigrants. First, return is not uncommon, though how many actually return to their countries of origin is unclear. Second, returnees from rich countries appear to have been "negatively selected" from the emigrant pool. Third, notwithstanding this negative selection, highly skilled returnees to poorer countries can play an important role in development, particularly as entrepreneurs with internationally acquired skills, ideas, savings, and contacts. Returnees have indeed played diverse economic and political roles in their country's development. The differences stem from variances in the emigrating population, the experiences in destination countries, the returning population, and home-country policies that can make use of their skills.

32. See Taylor and Aleinikoff (1998). The chapters by Christopher Mitchell and by Rafael Fernandez de Castro and Carlos Rosales in Dominguez (1998) also touch on the deportations of criminals, though their main focus is Latin American countries influencing the U.S. government on immigration policy.