Return Migrants’ Impact in Economic Development of the Origin Country

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Abstract

Migration has reciprocal economic implications between the origin and host countries. While scholars draw attention to the globalization of migration, since the 1960s there is a perpetual debate about the migration and development nexus. The role of international migrants and their financial remittances are identified as having a highly positive effect on the home country’s development. Emigrants’ remittances tangibly benefit the income for the families in the home country and investments in different sectors (housing, education, health, entrepreneurship, etc.). Next to remittances, returned migrants, especially those highly skilled are recognized as actors and drivers of significant economic development in the homeland. The contribution of return migrants to the development in origin countries can be beneficial not simply by investing the financial capital they accumulated during the migration cycle but also by the transferring of expertise, knowledge and new skills acquired abroad, and acting as social change agents in the home society. Empirical studies indicate a positive relationship between return migration and entrepreneurial activity, therefore enterprises can be a substantial contributor, among others, to economic growth and alleviating poverty of the origin country. Governments and policymakers are increasingly interested in the issue of return migration and return migration policies that attract and facilitate the returnee’s reintegration. Reintegration programs, especially those in the business sector, benefit the development of the origin country through savings, investments, easing of entrepreneurial opportunities and the expertise of returnees. This paper aims to identify whether return migration is beneficial for the origin country and especially to analyze the role of return migrant’s in the economic development of the origin country through engaging in entrepreneurial activity.

Keywords: migration, return migration, development, economic reintegration, entrepreneur activity

Introduction

Homo sapiens have seldom been sedentary (Samuel & George, 2002, p. 32), people have moved across states and continents for centuries in search of new opportunities, or to escape poverty, conflict or environmental degradation (Castles, de Haas & Miller, 2014, p. 5). Some authors go even further by declaring that it is “inherent in human nature – an instinctual and inborn disposition and inclination to wonder and to wander in search of new opportunities and new horizons (Marsella & Ring, 2003, p. 3). Most of the countries are affected by migration and its effects, either as migrants sending country or as a receiving country. The number of international migrants worldwide has continued to grow over the past seventeen years, reaching 258 million in 2017, up from 248 million in 2015, 220 million in 2010, 191 million in 2005 and 173 million in 2000 (United Nations, 2017, p. 4). International migration is increasing due to a lot of factors and especially the impact of globalization, through fast development of transport and communication technology. In the 21st century, it is easier than ever for migrants to travel to their homeland, to send remittances and to communicate with members of their households. Current technological advances have allowed people to be better informed through television programs broadcasted via satellite, mobile phones and the internet letting them know more about the world and opportunities.

The growing interest of government and policy-makers has resulted in implementing policies about immigration, emigration and return migration. There is always a category of international migrants who turn back to the homeland. No one can predict return migration, how many people, why and when they will return. The return migration phenomenon is complex, the decision to return depends in multiple factors which are difficult to be measured. Unlike other types of migration, the
issue of return migration has recently been receiving increasing attention in the migration literature (De Haas, Fokkema & Fihri, 2015, p. 2). It was not until the 1970s that studies into this phenomenon began, and it is still a relatively unknown and unexplored subject (Elizabeth, 2015, p. 1).

Many authors have studied the reasons which encourage migrants’ return to their homeland including economic and non-economic factors. Serious illness, fear of family breakdown, fear of divorce, or the death of a relative caring for young children (Carling et al., 2015, p. 19), as circumstances change, and as they achieve the economic objective they sought in one country or because they fail to achieve their goals (Samuel & George, 2002, p. 39) are just some of the reasons which can trigger a migrant’s return. Returnees are a heterogeneous group; they have different reasons to return and belong to different types of return, including voluntary or involuntary. Many authors have classified typologies of returned migrants, distinguishing different categories among the returnees. According to Gmelch (1980) there are three main type of returns: 1. Returnees who intended temporary migration 2. Returnees who intended permanent migration but were forced to return. 3. Returnees who intended permanent migration but chose to return (Gmelch, 1980, p. 138). Another typology is identified by Bovenkerk (1974) who classifies the various types of return migration in four ideal types: (1) intended permanent emigration without return (2) intended permanent emigration with return (3) intended temporary migration with return (4) intended temporary migration without return (Bovenkerk, 1974, p.10). One of the most frequently mentioned typologies of return migration is identified by Cerase (1974) distinguishing between four types of migrant returns: “Return of failure”, “Return of Conservatism”, “Return of Retirement” and “Return of Innovation” (Cerase, 1974, p. 254). King (2000) suggests another typology of returned migrants by taking into consideration the length of the time spent back in the origin country: occasional returns, sesional returns, temporary returns and permanent returns (King, 2000, p. 10-11).

Batistella (2018) uses two variables: the time for return and the decision to return to identify four main types of return. He identifies four types of return migrants; Return of achievement, Return of completion, Return of setback and Return of crisis (forced return) (Batistella, 2018, p. 3).

Scholars’ interest in return migration has enriched the theoretical and empirical literature about return migration, and yet return migration is considered a neglected, not well studied phenomenon. One of the reasons is the impact of a school of thought which ‘naturalises’ return as the logical conclusion to the migration cycle (King & Lulle, 2016, p. 106). According to this perspective return migrants are assumed to be returning to their natural homeland and the process of adaptation is presumed to be a natural one. Beyond this interpretation, the return process is a complex phenomenon and is not always a ‘natural’ process. Returning to a changed country, where social relations, political structures, and economic conditions are not what they used to be, may be equivalent to arriving in a new place (van Houte & de Koning, 2008, p. 5).

1.2. Migration and Development Nexus

The nexus between migration and development has once again found entry into the public debate and academic research in connection with the mobility of persons and issues of economic and socio-political development (Faist, Fauser & Kivisto, 2011, p.1). The links between migration and development are widely acknowledged to be complex (Wets, 2004, p. 6), but it has been a growing consensus that migration is an integral feature of global development. The impact of migration on development has been the subject of a growing body of research and literature in recent years, recognizing migrants as actors of development and their valuable contribution both to origin and destination countries. Although the historic role of migration in the development of receiving countries has long been acknowledged, interest in migration’s impact on sending countries is much more recent (King, Mata-Codesal & Vullnetari, 2013, p. 71). Migration is identified as a tool of alleviating poverty, especially in the origin country, developmental possibilities can be accelerated by remittances and return migration. For example, in the early 2010s, over 130,000 Albanian emigrants returned from Greece; abroad, they had acquired technological skills, e.g. in agricultural techniques, which enabled them to create both jobs and new export opportunities in Albania. Return migrants were three times as likely to employ others as non-migrants, and their entrepreneurship in turn led to 3–6 per cent higher wages for low-skilled Albanians who had never migrated (IOM, 2018, p. 43)

Assessments of the influence of migration on development have varied over time: sometimes migration has been seen as beneficial and at others detrimental to development, depending on the historical moment and circumstances (Van Hear & Nyberg Sørensen, 2003, p. 6). The scholarly and policy debates on migration and development have changed from optimism approach during 1960s to pessimism approach during 1970s and 1980s, and back again to optimistic approach since 1990s.
Faist (2008) identifies and analyzes three phases linking migration and development. During the first phase, the 1960s, it was assumed that financial remittances, return migration, and the subsequent transfer of human capital would contribute and result to development in the countries of origin. This view clearly corresponded to overall economic modernisation concepts and to a belief that state capacity could shape economic growth (Faist, 2008, p. 25). The second phase, much of the 1970s and 1980s, the link between migration and development was reversed. One of the central issues of this phase was not financial remittances but brain drain. From a dependency perspective, underdevelopment led to the loss of the highly-skilled who migrated from the periphery to the centres in the dependent world, and above all into industrialised countries. This out-migration, in turn, was thought to contribute to even more underdevelopment and increased migration flows through asymmetric distribution of benefits and resources (Faist, 2008: 25).

The third phase, since the 1990s, led us back to a more optimistic view alike to the 1960s. International migration is an important component of development. During this phase, there is an acceptance that more circulation of labour fosters more development by way of remittances and through knowledge networks. New issues come up, such as formalizing the migration–development nexus by strengthening remittance channels through banks, and diaspora knowledge networks, which are not built upon the ‘return option’ but the ‘diaspora option’ (Faist, 2008: 26).

Migrants’ remittances are an old issue in the migration debate (Ghosh, 2006, p.7). Remittances are acknowledged as a key element of linking migration and development. Many scholars and policy-makers even consider remittances as the next development panacea. In theory, they can represent one engine of economic growth and development for the receiving country; provided of course, that they are used in a coordinated and efficient way to stimulate investment, modernization and restructuring of the economy (de Zwager et al., 2005, p. 1). These are some of the positive economic effects of international migrants on development of the homeland, but in the case of temporary migration, remittances may generate entrepreneurial opportunities upon return and help overcome the credit constraints that individuals may face in the origin country (Collier, Matloob & Randazzo, 2017, p. 175).

King and Lulle (2016) identify different channels in which remittances can be directed: support for everyday living costs – food, clothes, medicines, fuel etc.; spending/investment in new and improved housing; investment in a business – e.g. in land, farm machinery or irrigation to improve an agricultural enterprise, or in a business in the industrial, retailing or transport sector; investment in human capital, such as children’s education; pooling into collective remittances directed to a joint project such as a school, community centre, road or other infrastructural investment back in the village or hometown (King & Lulle, 2016, p. 97).

The study of migrants’ transfers mainly focused on the financial remittances sent to the origin households. Progressively, the social, cultural and political capital that migrants were transferring through their continued engagement with their country of origin throughout their migration project – at different stages, and across different generations – was ever more acknowledged and recognized (Gropas, Triandafyllidou & Bartolini, 2014, p. 8).

Economic remittances are not the only benefits for the sending countries; international migrants remit also social remittances. The notion of social remittances refers to “the ideas, behaviors, identities and social capital that flow from receiving- to sending-country communities” (Levitt, 1998, p. 926). Social remittance exchanges occurs when migrants return to live in or visit their communities of origin when non-migrants visit those in the receiving country; or through exchanges of letters, videos, e-mails and telephone calls. These social transfers shall promote development given that they are ‘good’ since they are related to modernity and modern development, reflected in human rights, gender equity, and democracy, to name only the most obvious ones (Faist, Fauser & Kivisto, 2011, p.3).

1.3. Return Migration and Economic Development of the Origin Country

The link between migration and development are acknowledged, although return migration has gained the attention of governments, policy-makers, scholars and international organizations, consequently there has been an attempt to study the impact of return migration on development. Major attention has been paid to the migrants who bring with them substantial financial, human and social capital. These returnees have the potential of playing an important role in the socio-economic development of the country (de Zwager et al., 2005, p. VII). Returnees belong to different categories and not every category has the same impact in the origin country but many scholars agree that among them, particularly those highly-skilled, returnees can be drivers of innovation and impact on the economic development (Smoliner et al., 2012, p. 3).
The existing literature analyzes the development impacts of return migration and classifies the contribution of returnees to their countries of origin into four broad categories or channels. Debnath (2016) identifies 4 main categories. First, they bring with them new skills (human capital) acquired through experience, training, or education in host countries. Second, they may come back with financial capital in the form of savings from abroad. This acquired capital allows returnees to participate as entrepreneurs or investors in their home countries. Third, they contribute through their social capital (networks) that they acquired as a result of their migration experience. Finally, returnees can act as social change makers. For instance, they can exert a positive impact by challenging and changing existing relations within the origin societies. (Debnath, 2016, p. 6).

Return migration can impact the origin country in various areas, but recently, there has been more attention on the role of returnees as entrepreneurs and their impact in their home country’s economic development. Returnees are often hailed as super entrepreneurs with consequent high expectations for their role in business start-ups and job creation (Naudé et al., 2017, p. 2). Although the impact of international migrants in the home country through remittances is well known, speaking of return migration and development of the origin country still needs to be acknowledged. The results of most empirical studies suggest significant positive influence of returnees on different aspects of their home countries’ development (Ernst, 2011, p. 5). Numerous empirical studies have yielded consensus on the positive relationship between return migration, entrepreneurial activity and self-employment. These small and medium enterprises can be significant contributors to economic growth and alleviating poverty by creating jobs, employment and increasing income for households.

Many research studies are focused on analyzing the ability of returnees to engage in entrepreneurial activity, suggesting that returnees have higher probability to be engaged comparing to the people who never migrate. McCormick and Wahba (2001) found that both overseas savings, and the duration of stay overseas increase the probability of becoming an entrepreneur amongst literate returnees to Egypt (McCormick & Wahba, 2001, p. 16); also Dustmann and Kirchkamp (2002) studying returnees to Egypt conclude that most of them engage in entrepreneurial activities (Dustmann & Kirchkamp, 2002, p. 351); while Wahba and Zenou (2009) find that returnees are more likely than non-migrants (11%) to become entrepreneurs (Wahba & Zenou, 2009, fq. 21); Batista, Mclndoe-Calder & Vicente (2014) study in Mozambique shows that being a return migrant is associated with a significant increase of 13 percentage points in the probability of owning a business relative to non-migrants (Batista et al., 2014, p.25); Marchetta (2012) provides evidence of high propensity of returnees to engage in entrepreneurial activities and econometric analysis evidences the fact that returnees have a significantly higher probability to survive over time as entrepreneurs if compared to stayers (Marchetta, 2012, p. 23), Black and Castaldo (2009) studying engagement in enterprises of returnees to Ghana and Côte d’Ivoire suggest that training and education is of little significance, while practical work experience and the ability of migrants to network with co-nationals and keep in contact with friends and family on a regular basis while they were away may be of critical importance, alongside financial capital (Black & Castaldo, 2009, p. 54). Gubert and Nordman (2008) investigating in Morocco, Algeria and Tunisia conclude that the probability of becoming an entrepreneur after return is higher for returnees with a first experience as employers or self-employed, for those who received vocational training whilst abroad and for those who independently and freely chose to return (Gubert & Nordman, 2008, p. 18). Hagan and Wassink (2016) in Mexico concluded that respondents with prior migration experience were 9 percentage points more likely to become self-employed, and 6 percentage points more likely to own a business with employees (Hagan & Wassink, 2016, p.10), likewise Wahba (2004) in Egypt found that the share of returnees as employers and self-employed is much higher than their share among non-migrants (Wahba, 2004, p. 9). Similar results were also found in Egypt by Bensassi and Jabbour (2017). Arif and Irfan (1997) in Pakistan, Ilahi (1999) in Pakistan and Demourger and Xu (2011) in China found that return migrants were more likely to be self-employed than non-migrants.

Several studies in Albania analyzed the tendency of returnees to engage in entrepreneurship. Piracha and Vadean (2010) found that return migrants are significantly less likely to participate in wage employment (-5.5 percentage points) but their entrepreneurship rate is about 45 percent higher than non-migrants (7.9 percent vs. 5.4 percent respectively) (Piracha & Vadean, 2010, p. 6). Germanji and Milo (2009) studied the reintegration of returnees into the Albanian labor market and also observe a high rate of self-employment among returnees; 38.9% of the sample or 52.8% of those employed. (Germanji & Milo, 2009, p. 504). Similar results also were found by de Coulon and Piracha M. (2005) who noted that return migrants are almost twice as likely to be self-employed as those who did not migrate (de Coulon & Piracha, 2005, p.11). Also Mai (2011) shows that there is a positive relationship between return migration and self-employment, 51.5% of return migrants are self-employed or employers (Mai, 2011, p. 15).
Hatziprokopiou and Labrianidis (2005) conclude that important increases have taken place in entrepreneurship and self-employment, as well as an overall rise in the proportion of professionals after return. Those who owned a private business after migration reached 36 percent among men and 16 percent among women. Self-employment expanded too, from 18 percent for men and 1 percent for women to 23 and 5 percent respectively. Kilic, Carletto and Zezza (2009) findings are indicative of a strong, positive relation between past (return) migration and business ownership. The propensity of being involved in small family businesses is highest among households with migration experience in countries other than Greece (Kilic et al. 2009, p. 618).

Labrianidis and Kazazi (2006) found that after return a large percentage of people returnees became employers (67.1 percent of men and 25.8 percent of women) (Labrianidis & Kazazi, 2006, p. 64).

Nicholson (2001) expresses not just that the returnees are engaged in entrepreneurial activity but the returnees have created in the origin country different businesses and enterprises similar to the emigration country: some former emigrants have replicated the enterprise they worked in (Nicholson, 2001, p. 40).

Empirical evidence indicates there is a positive impact of return on development, especially in the economic aspect through engaging in entrepreneurial activities. The impact of returnees in development of the origin country does not solely depend in the financial and human capital brought back to the homeland but also on the ability of the home economy to accommodate/utilize this capital (Germenji & Milo, 2009, p. 498). The issue that arises is in what conditions returnees are more likely to stimulate development in their home countries. The ability of returnees to contribute to the development of the origin country and their ability to act as a social changer depends also on the return process and their re-integration. The Glossary on Migration (IOM, 2011), defines reintegration as a process that includes three dimensions: social, cultural and economic. Returnees need to be adapted into the new society and sometimes this is not easy but a challenging process. They face tremendous challenges in adaptation of the environment, housing, employment, psycho-social, and feelings of failure to meet family expectations (Birara, 2017, p. 33) and have to (re)create social relationships and networks that may be useful for their economic, social or political activities in the country of return (Åkesson & Eriksson-Baaz, 2015, p. 13).

It is important that the return be "successful" and "sustainable" and a permanent event. It is understandable that successful reintegration in the home country is crucial for return migrants to utilize their potentials (Ernst, 2011, p. 7) in order for returnees to have a positive impact in the development of the origin country. Governments and states implement return migration policies that aim to maximize the potential of returnees and their impact. Many programs support the reintegration process of return migrants in the home country, not only through simplified administrative procedures but also through programs and facilities in the business sector that help overcome lack of information as well as constraints on entrepreneurship opportunities (Collier, Piracha & Randazzo 2017, p. 195).

1.4.1. Conclusion

Migration as a global phenomenon affects the lives of most people. It is viewed as a route out of poverty for states. In the context of migration and development, migration helps development of the countries, especially the origin countries. The major contribution of international migrants towards the origin country is expressed in regular economic remittances sent to the households. Migrants through transnational activities send social remittances to their family and social networks. Return migrants are perceived as actors of development and innovation in the origin country, especially highly skilled returnees. Returnees affect development of their homeland through their entrepreneurial spirit and creating job in their home countries. Empirical studies show that returnees have a higher probability to be engaged in entrepreneurial activity when compared to non-returnees. Migration policies, especially those focused on return migration should attract migrants to return to the homeland and facilitate their social-cultural and economic reintegration. Origin countries can facilitate returnees’ engagement in entrepreneurial activity by helping returnees re-adapt back home, in this way states implement these policies as a tool for economic development of the country.

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