# Chapter 6: The development impact of migration in the countries of origin

## 1. INTRODUCTION

The effect of migration in the countries of origin has been deeply analysed, but there is still no consensus about its overall developmental impact. Studies on the impacts of migration on development have pointed towards both positive and negative effects. Some countries seem to have made migration a key component of their development strategies, encouraging implicitly – and even sometimes explicitly – people to move to another country. This may relieve pressure on the labour market, particularly where the population is young and unemployed, and allow countries to benefit from inflows of remittances. Countries may also be concerned by the loss of human capital associated with the departure of skilled individuals to other countries and therefore try to curb emigration, or at least encourage skilled emigrants to return and contribute to the development of their countries of origin.

The impact of emigration in the countries of origin can be broken down into four distinct, albeit complementary, channels: departure, remittances, engagement from the diaspora and return. The effect of **departure** occurs when people leave their country, particular when they were active in the labour force prior to leaving. **Remittances**, the earnings that migrants send back to their origin countries, is directly linked to the number of migrant workers living abroad, but also to the business cycles in the countries of origin and destination. Beyond the direct impact of remittances on the recipients, remittances can affect the communities where migrants come from as well as in some cases the entire country. Once emigrants have settled in their countries of destination they become part of their countries diaspora. **Engagement from the diaspora** in the activities of their origin country can be important vector of development. It depends on the capacity of emigrants to organise themselves and engage in the development of their country of origin. The **return** of emigrants to their country of origin can generate productive investment through entrepreneurial activities and generate social change.

The first part of this chapter focuses on how departure affects economic and social development in the sending countries. It discusses how emigrants bring change to the households from which they leave and then discusses how the aggregate numbers of those that leave affect the sending country.

The following two parts discuss how, despite the reduction in their population, sending countries stand to benefit from migration. The second part discusses how remittances form a salient component of development finance and the third part discusses how return migration can bring positive change to the origin country.

The chapter builds on data from the OECD project *Interrelation between Public Policies, Migration and Development* (*IPPMD*, see Box 4.2 in chapter 4 for more details). Unless otherwise stated, the figures shown in the rest of this chapter are created based on the IPPMD survey data.

## 2. 6.1: THE IMPACT OF THE DEPARTURE OF EMIGRANTS IN THE COUNTRY OF ORIGIN

### 1. 6.1.1: Dealing with the loss of labour in the household

The immediate effect of emigration is manifested at the household level. The subtraction of what is typically a working-age contributing member is an event that will alter the behaviour of the household in most circumstances, at least in the short term. The household must henceforth cope with the fact that a key part of its economic model has left. The extent to which the household will be affected by this "lost labour" depends on who leaves and what the migrant was doing prior to leaving. The departed member could have been contributing to the household's wellbeing in a number of ways by for example, working many hours, taking care of children, managing the family business or doing heavy manual labour tasks, all of which must be compensated for in different ways.

In the poorest countries, where economic decisions are typically pooled together, the loss of a contributing member equates to either a reduction in output or an increase in labour supply to maintain the same levels of output. The drop in production and income from the household may also push its members towards jobs they would normally not accept. It might be expected that their reservation wage, the wage at which they would be willing to work for a given job, would be lower than it would be otherwise. In such instances, members may be inclined to accept dirty, dangerous and demeaning jobs, further deteriorating their well-being.

The evidence seems to confirm that members staying back work less however, although most studies mix the pure effect of the reduction in labour and the positive inflow of remittances. Members remaining in the household may be obliged to spend more time in unpaid work, as there are fewer adults in the household (Carletto and Mendola, 2008), in particular taking over the household duties of the departed members (Gorlich et al., 2009) including child-rearing (Acosta, 2006, Sadiqi and Ennaji, 2004). In extreme cases, the loss of labour in the household may lead to households forced to make their children work, at the expense of their education, particularly when mothers leave (Rasyad and Vengadeshvaran, 2013).

The lost-labour effect is especially borne out of the fact that emigrants leave during the most productive years of their life. In this respect, data collected for the IPPMD project confirms that most emigrants with household members in the country of origin were young and in their productive working years at the time of their departure. According to the data collected in 2014, more than 50% of emigrants that left at most one year prior to the survey and were older than 14 years at the time of the interview had emigrated at the age of 35 or less in all 8 countries for which data is available. In the extreme cases, the share was close to 90% (Burkina Faso and Cambodia).

Most emigrants were also working before their departure. Figure 6.1 displays employment rates for three groups of individuals: emigrants that left in the year prior to the survey, emigrants that left more than a year prior to the survey and non-emigrants. It shows that, apart from Georgia, more than 50% of emigrants that left at most a year prior to the interview were working before they migrated, a rate that is higher than non-emigrants and longer-term emigrants in five of the seven countries.

Significance in difference between recent and longer-term migrants is only observed in Armenia and the Philippines[1]. The large and significant difference observed for Armenia can be explained by

1

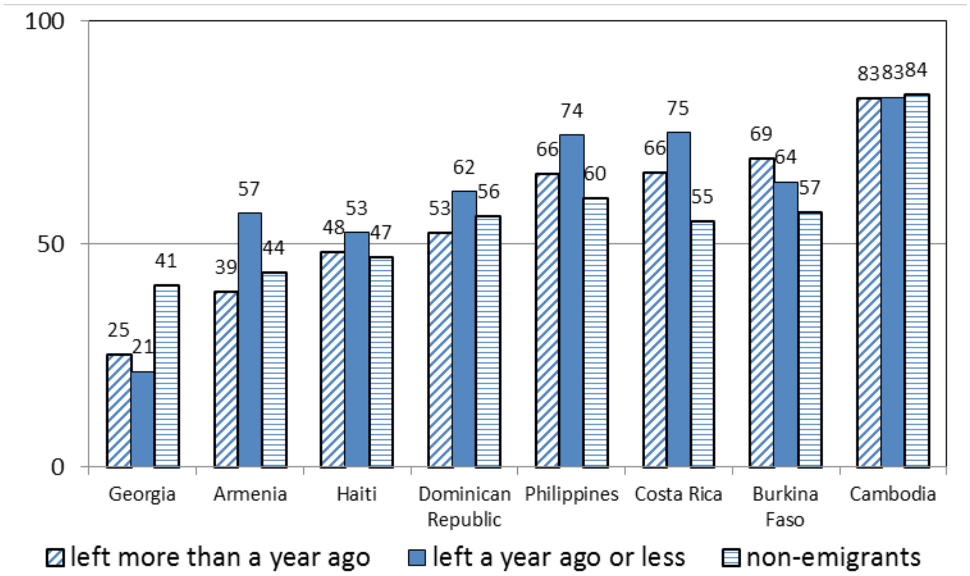
The significance in difference was validated using a $Chi^2$ test.

the fact that many recent emigrants are seasonal and as those emigrants keep working for most of the year in both the origin and destination country, they are typically still employed when they emigrate. As longer-term emigrants do not circulate for work-related reasons between the origin and destination country, their rate is relatively lower. For the Philippines, it is due to a shift towards more men emigrating in recent years, since men are also on average more likely than women to be employed prior to emigrating from the Philippines, according to the data collected.

In Cambodia, the employment rate is high and rather similar for all three groups, but this may be explained by the high rate of pastoral activities and internal seasonal migration rate.

In Georgia, the employment rate of non-movers is significantly higher than that of recent emigrants, and this appears to be due to the composition of education levels between emigrants and non-emigrants as there are relatively more post-secondary educated non-emigrants, and this group tends to be working.

**Figure 6.1. Employment rate[2], for non-migrants and emigrants prior to departure, by time since departure**




Skill level is a factor in the lost-labour effect for households, but not necessarily due to brain drain. In fact, it is not the loss of the highest levels of educated workforce that affect the family through labour, since those households are typically wealthier with members having stable and well-paying jobs. Wealthier households also have more assets, which they can use as collateral or sell if income dries up. On the other hand, it is the poorest households, those with members of lower or mid-education levels, that suffer the labour loss the hardest. In these households, contributing household members typically work in labour-intensive jobs, often informally, and the income they bring back to the household constitutes its lifeline. Moreover, the cleavage between the ease with which the higher skilled are welcomed in other countries and the lower skilled are denied only reinforces the lost-labour effect. In fact, return migration, which would minimise the negative consequences of lost-labour, is less likely in these cases. Low-skilled migrants are less likely to return to their origin country frequently, if at all, when the chances of re-migrating again to their previous country of destination are difficult.

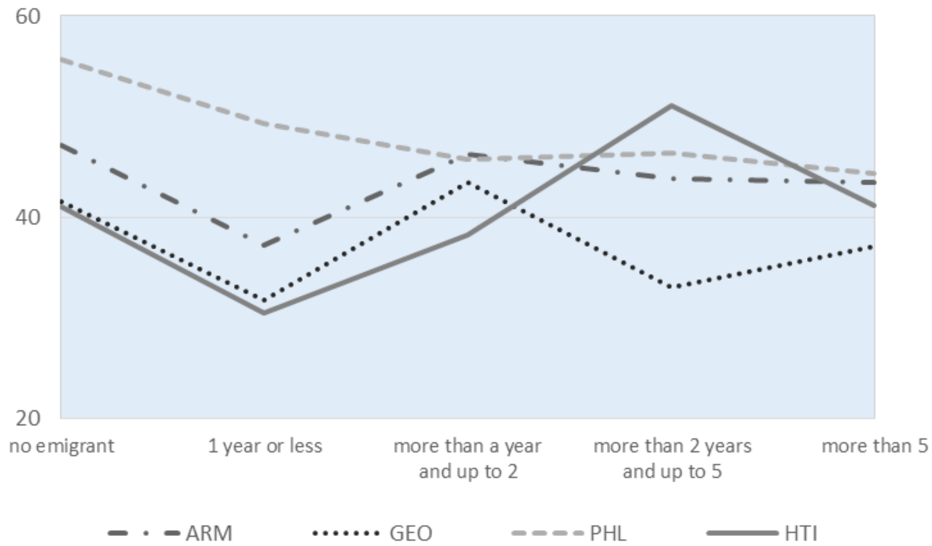
---

2

The employment rate has been modified here to include the entire working age population, regardless of whether they are in the labour force or not.

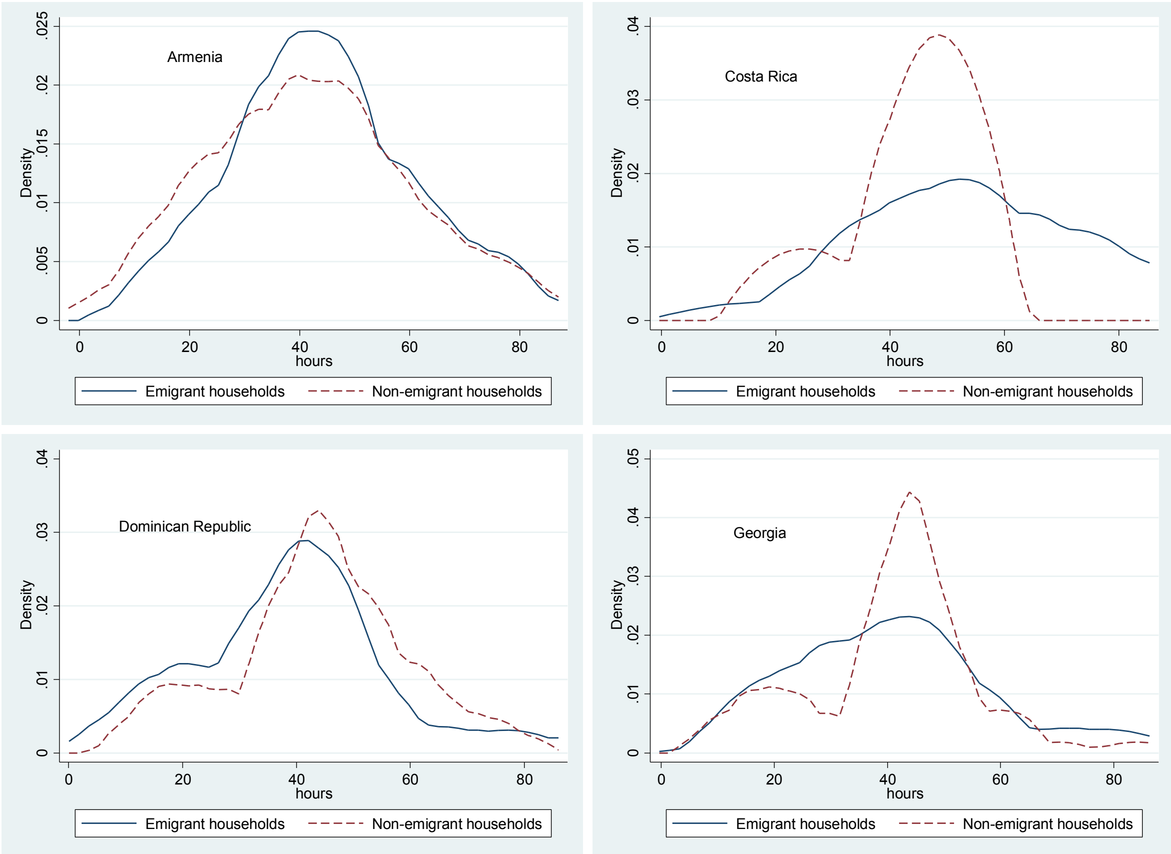
Figure 6.2 illustrates the rate at which individuals aged 15 to 65 were working over those that were not at the time of the IPPMD survey (including those studying and retired) according to the time that has elapsed since the household member has left, in four different countries. The lost-labour effect should be strongest in the short term, as the household adjusts to the changes, and weakest in the long term, when the household has adequately adjusted and perhaps secured new sources of income, including remittances. Households in these four countries clearly appear to experience a drop in employment rates following the departure of a member. As is evident in comparison to the case of a household with no emigrant, the rate in the first year of departure is lowest in Armenia, Georgia and Haiti. In the Philippines, the rate keeps decreasing as time passes, perhaps due to particular emigration culture in the Philippines, where circularity is prevalent. In Haiti, the employment rate is noticeably higher in the longer-term, perhaps due to the productive uses of remittances. Once remittances are secured, employment rates may go in either direction, depending on their use (this will be covered in 6.2).

**Figure 6.2. Rate at which individuals are working (15-65), by time since emigrant left household**




Household members can also decide to work more, or do more tasks once an adult member has emigrated. Figure 6.3 below provides evidence on hours worked for individuals living in a household where there has been a member that left within 12 months and households without any emigrant, although there seems to be little evidence that hours worked a significantly different between the two groups. Instead, there seems to be a wide array of different situations. In Armenia the distributions appear to be rather similar. In Costa Rica and Georgia, the variance in hours worked appears to be larger for emigrants, again suggesting that there may be a wide array of coping mechanisms. In Costa Rica, the mean hours worked is higher for emigrant households, while it is lower in Dominican Republic. There seems to be little conclusive evidence that members in emigrant households systematically work more hours.

**Figure 6.3: Distribution of individual hours worked within a normal week, by whether the household has had an emigrant leave within the last 12 months**[3]




**There are different challenges for members of agricultural households and women in the context of lost labour due to emigration.** Whether the household lies in a rural or urban region will affect the impact of the departed member, particularly for agricultural households, where production and consumption are tightly linked (Benjamin, 1992). In such households, the loss of a contributing member is even stronger, since a change in production will equate to a change in consumption. Such a change can push households at subsistence levels further into poverty.

Women in agricultural households are particularly affected by the loss of labour. Evidence from internal migration in China suggests that there is a lost-labour effect manifested through increased farm labour when men leave, but not when women do. This suggests that, in China, men are likely to be the ones working in the fields when they are home, but that women take over those tasks when men are away working elsewhere in the country (Mu and van de Walle, 2011; Démurger and Shi, 2012).

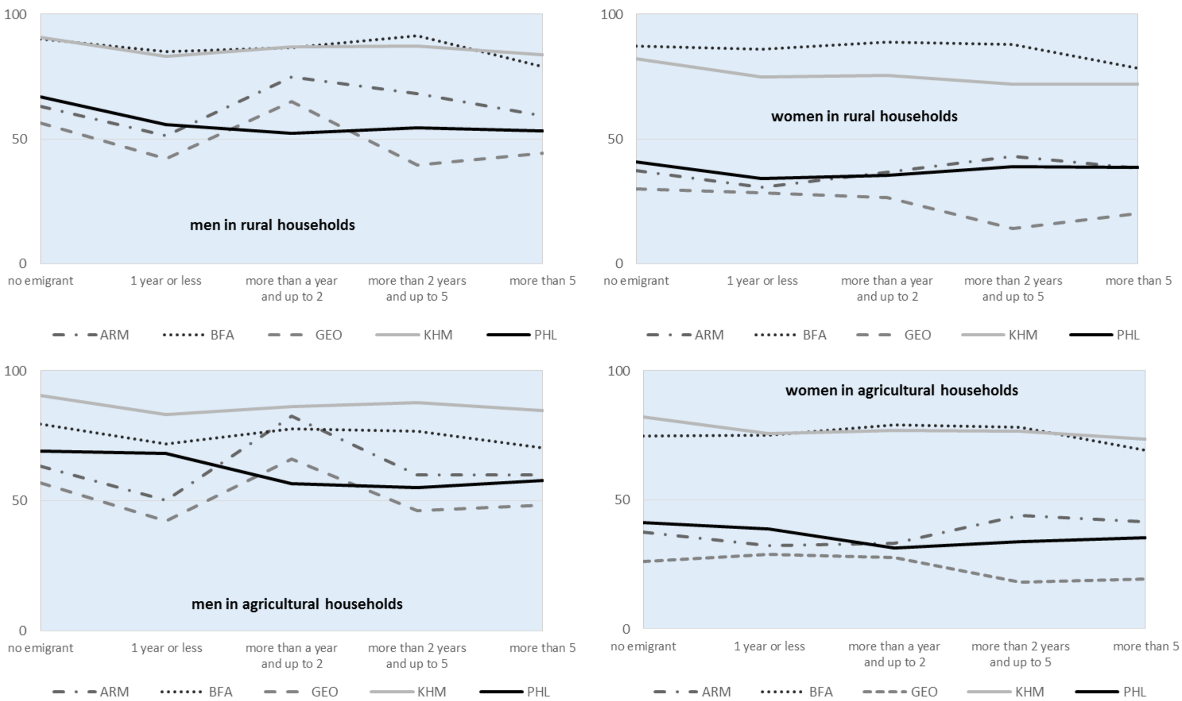
There is also evidence that women in emigrant households have transitioned into tasks traditionally held by men, in the wake of men leaving to work in other countries (Sadiqi and Ennaji, 2004; Wouterse, 2010). In cases where there are children or elderly in the household, child-rearing and elderly assistance can factor in on how households reorganise their labour. In a household with a high

3 The distributions presented in Figure 6.3 use a kernel density estimation, which is a non-parametric method of estimating the probability density function of a continuous random variable. In the figure shown, the estimation uses an Epanechnikov kernel and an optimal bandwidth.

dependency ratio, the ratio of children and elderly to those of working age living in the household, household members must spend time tending to their needs as opposed to working for an income. Tasks may be skill or gender specific. Agricultural households may need to change the type of crop they grow or the livestock they raise, as a function of the skills or labour intensity it requires.

Figure 6.4 plots the employment rates of men (left) and women (right) in rural (top) and agricultural (bottom) households by the time that has elapsed since the last emigrated member has left. Men seem to be, in both cases, following the typical pattern discussed earlier, while the employment rate of women appears to be less affected by the emigration of a member, as the curves are rather flat. Men appear to reduce their propensity to work, perhaps due to a substitution in intra-household tasks, but women appear not to be affected by a reduction of labour. Part of the explanation is that their employment rates were lower to start with, in comparison to men. In fact, in the two countries where their employment rates are high, Burkina Faso and Cambodia, the difference in the effect of lost labour with men is indeed smaller.

**Figure 6.4. Rate at which individuals are working (15-65), by time since emigrant left household**




Another part of the explanation in different employment rates between men and women is related to the fact that it is mostly men that emigrate from the countries shown, and so the labour contribution of the departed men is deducted from the employment rates of their households and there is an adjustment later on.

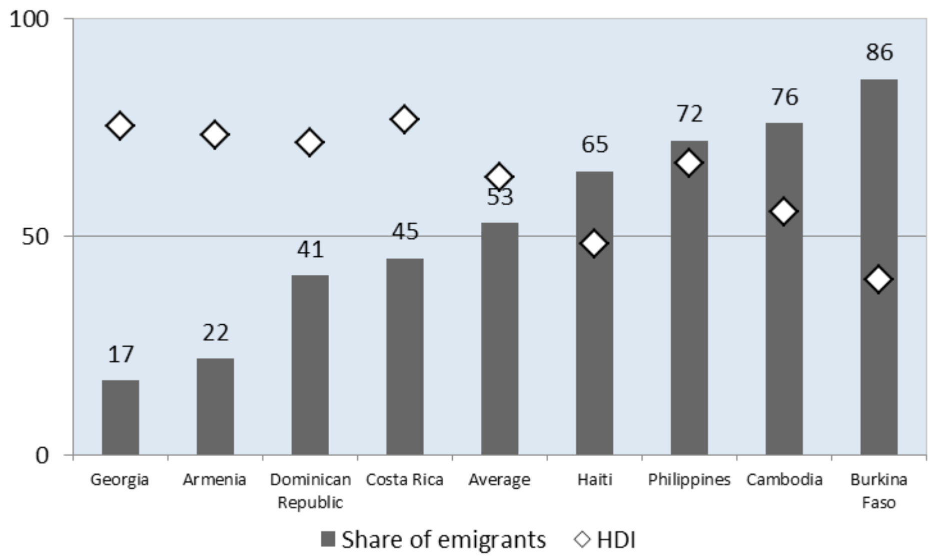
Women may not change their tendency to supply labour, so how do households cope with the loss of labour in agricultural households? Agricultural households may in fact hire outside labour as a coping mechanism. Figure 6.5 shows the propensity of land-working agricultural households to hire temporary or permanent labour depending on the time that has elapsed since the most recent member has left. Indeed, in comparison to households without any emigrated member, the rate of households hiring agricultural workers from outside the household is higher for those with emigrants who have departed within one year or less. For some countries, in particular Georgia and the Philippines, the effect may last longer after emigrants have left, although this may be due to extra resources in the household from remittances.

**Figure 6.5: Share of households hiring external agricultural labour, by elapsed time since most recent emigrant left**


**Emigration also induces challenges to family life.** The impact of emigration can also affect the social aspects of the household. Beyond the economic cost, the loss of a family member bears a psychological cost to the household, commonly referred to as family disintegration. Spouses, children and siblings are separated adding to the stress of immigrating to a new country. According to the OECD data shown in Figure 6.6, the share of emigrants with children left in the country of origin varies widely from 17% in Georgia to 86% in Burkina Faso, but this is highly correlated with the level of development in the country. The four countries with the highest rate of emigrants with children left in the country of origin are also the four countries with the lower level of human development index (HDI).

Children are particularly regarded as a vulnerable group in the literature on transnational families (Mazzucato *et al.*, 2014). Indeed, IPPMD data collected on emigrant households shows that the number of children in emigrant households with fewer than two parents is commonplace. Research shows that the absence of a parent can be detrimental to a child’s social and psychological development (Yanovich, 2015).

**Figures 6.6: Share of emigrants with children left in the country of origin**



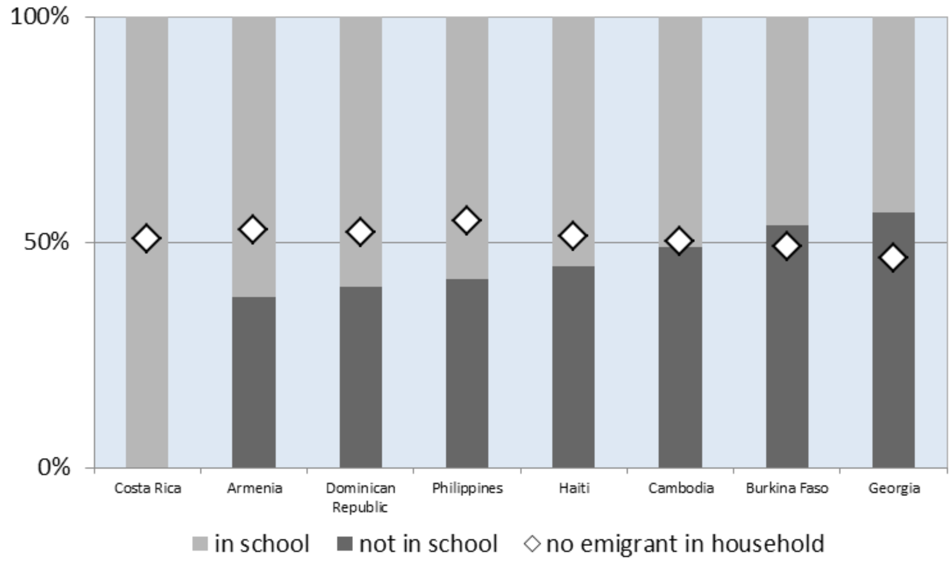

Children living in households with pressures on labour due to emigration may be sent to work, at the expense of irreversible lost time at school. The loss of labour income in the household, in the short term, may make schooling unaffordable. Evidence also points to children left-behind by emigrant parents are more likely to experience deteriorating academic performance, declining attendance and a lack of motivation (Castañeda and Buck, 2011). In Moldova, 22% of children whose parents are emigrants do not attend school, and many develop health concerns including drug use, as they may not solicit help when needed (Yanovich, 2015).

Figure 6.7 shows IPPMD survey data for eight countries on the ratio between the share of children aged 6 to 15 living in a household in which a member has emigrated from the country, by whether or not they are attending school. The 50% line would indicate that there is no difference between the two groups, but in contrast to what would be expected, the data suggests that in all but two cases (Burkina Faso and Georgia) the share is higher for those that are in school. The distribution is different for the group of children without any member currently living in another country, for which the ratio hovers closely to 50%, represented by the diamond shape.

In Georgia, the difference with other countries is because children 6 years of age are typically held at home for an extra year, and there seems to be more 6 year olds among emigrant households. The ratios may also be hiding an effect related to resources, as emigrants may send remittances which would increase the probability of sending a child to school.

Burkina Faso is the country with the most children out of school across all eight countries and a high rate of internal migration to urban areas, increasing financial and social stress on households. In fact, when the sample is restricted to only the rural population in Burkina Faso, the ratio slips to under the 50% line.

**Figure 6.7: Ratio of the share of children (6-15) with an emigrated member from the household between those attending school or not**




This first section discussed the impact that the emigration of a household member has on those left-behind. However, there is also concern for how the aggregate number of emigrants changes the national and local contexts.

## 2. 6.1.2: Emigration also has a generalised impact, beyond the households directly implicated

The impact of emigration reaches much further than the household. In large numbers, emigration carries repercussions for the country and for the communities from which emigrants depart. This implies generalised changes for the social and economic climate of the country, including for households without any direct link to migration. The gradual shift in global wealth has also changed flows in the sense that even within the South, brain drain rates are increasing. Part of this is because it is becoming easier for skilled workers to move and harder for lesser skilled ones. The existence of a brain drain is a stylised fact of contemporary migration flows (Docquier and Rapoport, 2012)

For several decades now, debate has raged on whether emigration is fair for developing economies that are unable to compete with the good and stable paying jobs in richer countries. The argument backing unfairness is that developing countries spend their already scarce resources to pay for the education of their citizens, but do not benefit directly from the investment. There may be larger gains from freer migration relative to freer trade. The issue is that richer countries hold an absolute advantage over poorer countries. Output increases when both low and high-skilled workers move to richer, more efficient countries. For richer countries, there will always be an opportunity cost in not taking in migrants, and therefore there is no basis for reciprocity in negotiations, unlike for trade. Part of the problem lies in the fact that those who stand to gain the most from freer migration are typically not part of the political process ex-ante (Hatton, 2007). Brain drain also takes shape in the form of an opportunity cost. This happens when countries lose individuals before they enter the labour force to education systems abroad. Few of these students return to the origin country, as has been the case for Taiwan (O'Neil, 2003).

Brain drain has a tremendous negative impact on countries, particularly small and poor ones, where the educated base is small. The effect is most visible for key skills linked with well-being, such as those in the medical field. The brain drain of doctors and medical field has been well documented. In 2006, the WHO defined a medical sector in critical shortage in cases where there were less than 22.8 health professionals per 10 000 people and where less than 80% of childbirths were delivered by skilled professionals. As can be seen from Table 6.1, the number of countries that were deemed in critical shortage decreased only slightly between 2000/01 and 2010/11, from 57 to 54, 31 of them in Africa. The number of workers, the shortage is equivalent to 2.8 million health workers. In all regions, the percentage of foreign-born doctors and nurses in OECD countries in the total of estimated shortage increased in all regions, and most notably in South-East Asia.

**Table 6.1: Estimated critical shortages of doctors, nurses and midwives, by region, 2000/01 and 2010/11**

| WHO region | Total | With critical shortages | | Percentage of foreign-born medical professionals in OECD countries in the total estimated critical shortage | |
|---|---|---|---|---|---|
| | | 2000/01 | 2010/11 | 2000/01 | 2010/11 |
| Africa | 46 | 36 | 31 | *7%* | *13%* |
| Americas | 35 | 5 | 5 | *71%* | *74%* |
| South-East Asia | 11 | 6 | 7 | *8%* | *27%* |
| Eastern Mediterranean | 21 | 7 | 6 | *10%* | *17%* |
| Western Pacific | 27 | 3 | 5 | *11%* | *15%* |
| Total number of countries with critical shortages | 140 | 57 | 54 | | |

Source: OECD (2015)

**The aggregate effect of emigration on the source country extends beyond the brain drain of tertiary educated individuals.** Most studies on the brain drain have focused on the rate of tertiary-educated individuals that have emigrated, but what matters more are the skills and the ability with which individuals can contribute to society, which can come from any skills level. The effect of emigration on a country extends far beyond losing the best and brightest. Emigration reduces the factors of production of the country, which essentially reduces its potential to grow the economy. What is considered a middle-level-skilled individual in a developed economy may be considered a highly skilled and scarce resource in a poor country.

The enlargement of the EU in 2004 and 2007 provides a backdrop to identify the effects of emigration. In almost all countries of the enlargement, evidence of shortages in key sectors was experienced. In fact, many of the countries sought immigrants from other countries to fill those shortages. A number of studies have documented various country-level effects in the wake of the expansion. One theme that is recurrent is that of a decreasing unemployment rate in tandem with labour shortages in some sectors (Kahanec and Zimmermann, 2009). Emigration from Lithuania, Romania and Poland amplified labour and skills shortages, particularly in sectors such as construction and health care (Zaiceva, 2014). The shortages, in some cases, have led increased workload and worsening working conditions for health care employees (Kaminska and Kahancova, 2010), and the skills levels ranged from high level skills to specific skilled trades. From the beginning of 2004 to the beginning of 2005, the rate of firms in Poland claiming difficulty in finding workers climbed from 8 to 14% and concerned not only engineers but also skilled trades such as welders, ironworkers, upholsterers, bricklayers, drivers, and crane operators (Grabowska-Lusinska, 2010).

Part of the issue is a skills mismatch, which may be mitigated with time as workers exploit demand in the labour market and upgrade their skills. Nevertheless, in the short-term, there seems to be evidence of a different set of skills leaving than the ones entering the country, with the obvious negative effects of a slowdown for the economy.

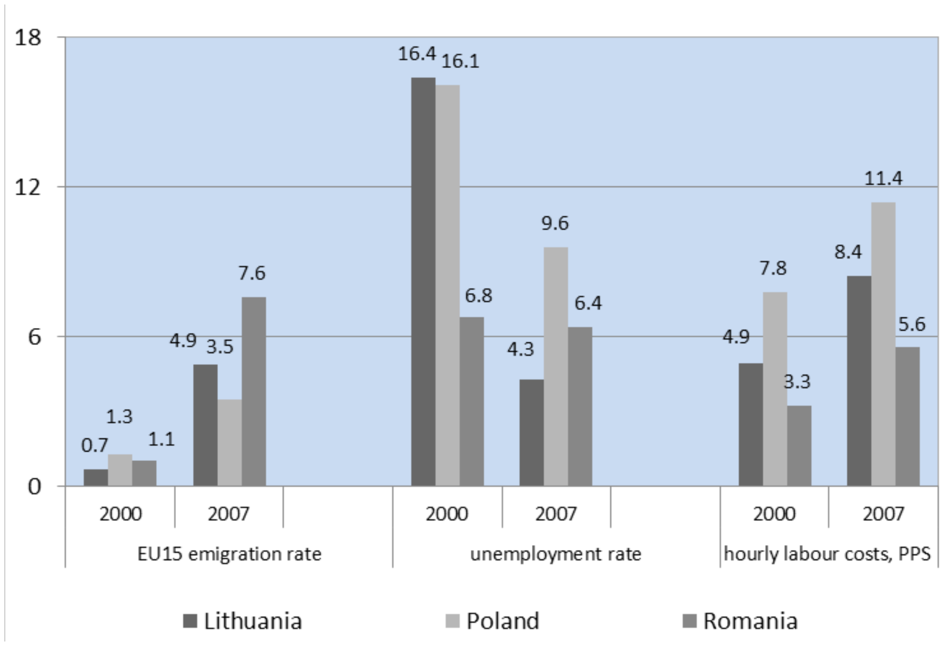
The effect of a loss of labour due to emigration is likely more visible in rural areas, where the ablest workers move to work elsewhere and the elderly and young stay behind. Such a situation can lead to a food shortage in countries where productivity in rural areas equates to the country's primary food source. There is a standing literature on how households with emigrants are less food insecure (Carletto *et al*., 2011). That is because remittances help pay for an increase in consumption of food. However, what is less prominent in the literature is how emigration is linked with food security at the aggregate level. When many young workers leave, there may be fewer workers left behind to tend to the fields, leading to a drop in output. In areas that are poor, badly connected or without working credit markets, the drop in agricultural labour force can directly affect the available food and resources in the community.

### 3. 6.1.3: Countries and individual households can benefit from emigration

**In certain cases, emigration can be directly beneficial for the origin country's labour market in the short term.** While losing labour can be detrimental for an economy, in certain cases it relieves pressure in an over-crowded market. As such, emigration becomes a safety valve for low labour demand. By decreasing the labour pool in the sending country, emigration helps alleviate unemployment and increase the incomes of the remaining workers (Asch, 1994).

The result, as hinted earlier, is that unemployment may decrease and wages in those sectors or skills groups affected directly by emigration may be increased. If emigrants were unemployed before moving or if those who stayed took the jobs previously held by employed emigrants, emigration might have efficiently relieved sending countries of excess labour, and contributed to lowering unemployment and enhancing wage growth (Zaiceva, 2014). According to Figure 6.9 below, unemployment rates decreased and hourly labour costs increased in Lithuania, Poland and Romania as emigration to the EU15 countries increased in tandem. However, if emigrants were not working before, the direct impact they may have on the origin country labour market may be minimal. Evidence points to an increase in wages, at least in the short term, when waves of emigrants leave (on Mishra, 2007; Aydemir and Borjas, 2007; Hanson, 2007 for Mexico; Borjas, 2008 for Puerto Rico and Bouton *et al.* 2009 for Moldova; Gagnon, 2011 for Honduras and Dustmann *et al*., 2015 for Poland).

**Figure 6.9. Emigration rates, unemployment rates and hourly wages in Lithuania, Poland and Romania, 2000 vs. 2007**

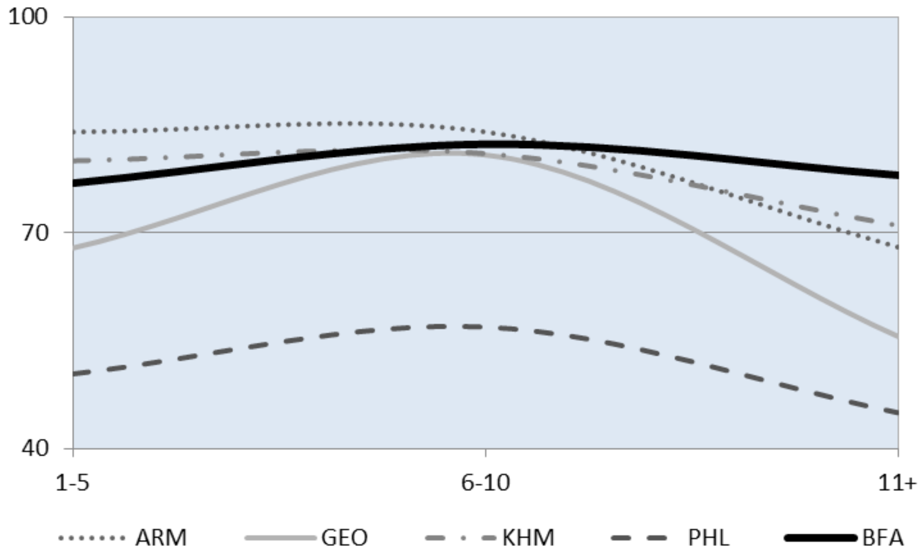



Source: Zaiceva (2014)

**The local effects of migration are felt strongest at the local level**, as advocated by the Joint Migration and Development Initiative's (JMDI) focus on the role and needs of local authorities to effectively link migration and development. That is because in many developing countries, markets are not well integrated across the country, and because the positive and negative impacts of migration only gradually affect the national level. For instance, if emigration leads to shortages or skills mismatches, and therefore job opportunities, the upskilling and internal migration of workers needed to fill those shortages would require time.

As an example of how local effects may manifest themselves, Figure 6.8 displays data collected at the local level in five countries, showing that the share of individuals claiming they want to emigrate because job prospects are better elsewhere is lower in communities where the emigration rate is higher (11% or more of households with at least one member abroad). One plausible explanation is that as there are fewer competitors for jobs in the community, the motivation to emigrate for work-related reasons decreases.

**Figure 6.8. Share of individuals claiming they want to emigrate because job prospects are better elsewhere, by share of households with at least one emigrant[4] in the community**




**In the longer term, there is high potential for the origin country to benefit from emigration.** First, diasporas can be vectors of social remittances, that is, of ideas, know-how, practices, and skills learned and practiced while living in another country. The country of origin can therefore tap into a diverse, educated and skilled group of individuals equipped with new perspectives, which can be a boon for countries of origin.

Initiatives with such an objective have been flourishing, such as Homestrings, a network linking diaspora groups with projects in the origin countries. Projects and funds are selected for their prospective positive impact on the communities while generating the possibility of positive investment returns. Projects currently span commercial real estate projects; commercial banks, small and medium-sized enterprises and mutual funds. Beyond sending collective remittances to be invested in development project, diasporas can generate positive effects for the society of origin, particularly through the expansion of networks and the transfer of knowledge. Scientific and technological diasporas can thus provide a considerable boost to the national education level and facilitate knowledge transfers by linking researchers at home and abroad.

The local component is an important one here, and permits the diaspora to hone in on projects that are closer to home[5]. The Regional Development Agency for the Sedhiou region in Senegal, for instance, has been working to capitalize on the development potential of migration for the region and has created a Help Office for Migrants (HOM) with the goal of attracting investment from the diaspora. Under the initiative, various actors, such as migrant organisations, immigrants, families of emigrants, technical services, NGOs, local citizens and authorities, periodically gather to discuss

4 The rate of community-level emigration was estimated by asking a community leader the number of households with at least one member living in another country.

5 These projects are technically and financially supported by the Joint Migration and Development Initiative (JMDI). The JMDI is a European Commission and Swiss-funded global programme led by UNDP and implemented in close cooperation with IOM, ILO, UNHCR, UN Women, UNITAR and UNFPA.

development strategies linked to migration to be developed in the region. The Bicol region, in the Philippines, is another example of local governance projects linking emigration with development initiatives. Local centres, charged with handling such initiatives, have been created at several levels, including provinces, cities and major towns ().

Second, emigration may bring with it a rise in education levels. Known as the "brain gain", such a mechanism works through the aspiration of emigration. Individuals left behind in the origin country may seek to increase their education and skills levels to reach a level that will enable them to emigrate. However, as not all individuals will be granted the opportunity to do so, the education level of those left behind will increase in the aggregate. Evidence using a cross section of countries shows that the brain gain hypothesis holds for countries with low levels of emigration and education (Beine *et al*., 2008). Micro evidence, however, suggests that such a mechanism is indeed feasible. Following the change in the educational requirement for the British Gurkha Army in Nepal in 1993, which exogenously increased that group's emigration rate, the general investment in human capital of the Gurkha community increased despite a limited number of job opportunities with the army (Shrestha, 2011).

**Emigration is a way for households to overcome poverty.** Emigration is often a decision taken by a household to overcome the fact that jobs are scarce and credit markets are incomplete in their country. Faced with such constraints, the decision to send someone to work in another country, albeit difficult, is often a beneficial one for the household. The income they may send back may act as a lifeline for households to consume, invest or enjoy life in a better way.

Remittances are used in a number of different ways. Amongst them is the idea that remittances act as a form of development finance heading directly to those in need, without the need to go through other channels.

Many emigrants also return and contribute to their households in other ways. Not only do they bring back earned money, which they can also invest, but they also return with new ideas. In addition, the return of a former household member reverses the lost-labour effect discussed earlier. Even when return migrants do not return directly to their households, their presence and links with their former households ensures that they are better off.

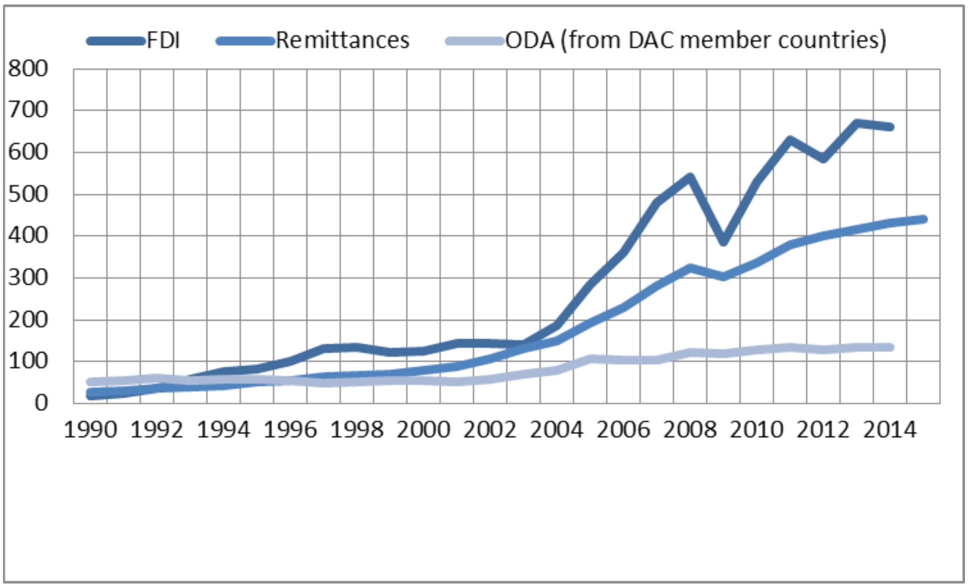
The next two sections provide the evidence and policy implications for both of these channels.

## 3. 6.2 THE IMPACT OF REMITTANCES IN THE COUNTRIES OF ORIGIN

### 4. 6.2.1 The scope for remittances to finance development

Remittances constitute an important source of income and development finance to promote development in low and middle-income countries. The flows of remittances far exceed the official development assistance, and remittances have often shown to be more stable in times of economic turmoil compared to other foreign capital flows. Remittances to developing countries have increased rapidly in the past years and are estimated to have reached $441 billion in 2015 (Figure 6.10).

**Figure 6.10: Remittances to developing countries far exceeds Official Development Assistance (ODA)**




Sources: *World Bank Migration and Remittances Factbook 2016; World Development Indicators; ODA data from OECD DAC.*

Remittances sent from the north to the south constitute the largest flow, 37% of total remittance flows. However, south-south flows sent by emigrants from developing and emerging economies residing in other developing and emerging economies are almost as significant, at 34% (World Bank, 2016).

Money sent by migrants has potential to lift individuals and households out of poverty, and contribute to economic growth and human development in origin countries. There are however barriers to the efficient sending and use of remittances.

Policy makers can play an important role in enhancing the positive impacts of remittances by making these transactions less costly and to enable remittances to be used in more productive ways. An important step towards maximising the benefits of remittances was taken with the adoption of the 2015 Addis Ababa Action Agenda. The Agenda includes commitments to ensure that adequate and affordable financial services are available to migrants and their families in countries of origin and destination, and that they can benefit from financial literacy and inclusion.

### 5. 6.2.2 Remittances contribute to social and economic development

**Remittances can affect countries of origin both at the household and macroeconomic levels.** From a macroeconomic perspective, remittances can increase a country's creditworthiness and thereby increase access to international capital markets, which in turn can finance local development projects. The inflow of international remittances can also lead to more stable consumption and production levels (Ratha, 2007). These factors can sequentially affect short and long-term GDP growth. At the same time, there are potential negative effects of remittances. An inflow of international remittances can lead to exchange rate appreciation, which weakens the competitiveness of the tradable sector[6]. Empirical evidence on such adverse effects of large inflows of foreign exchange in terms of trade and growth is however limited (World Bank, 2006).

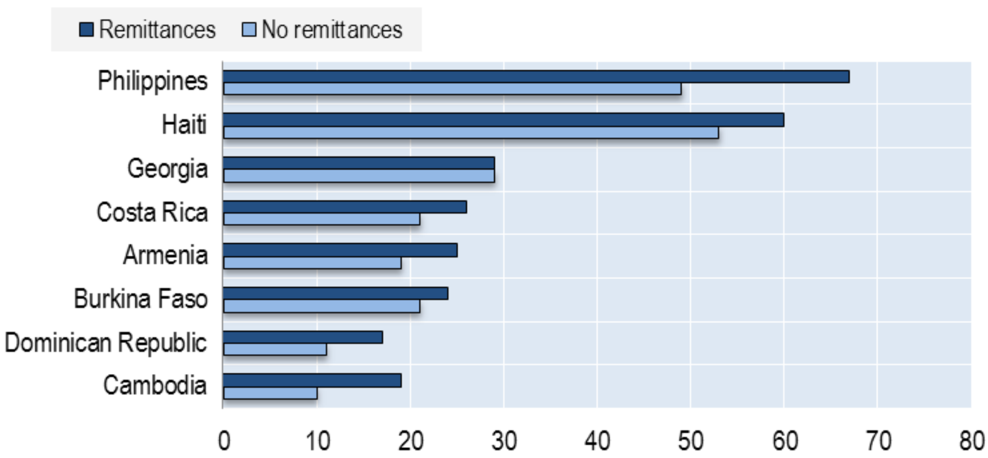
6 This phenomenon is similar to the so-called *Dutch Disease*.

At household level, remittances have shown to have positive effects on poverty reduction among households receiving remittances in the migrant's origin country (Acosta *et al.,* 2008; Adams and Page, 2005). Remittances reduce poverty by augmenting the household income, and can also help smooth household consumption and act as a risk mechanisms against weather related shocks. In addition, remittances can have a positive impact on other economic and social development outcomes, such as investments in productive activities, human capital and health. The evidence regarding the impact of remittances on inequality is more mixed. If remittances are disproportionally received by better-off households, they might lead to an increase in inequality. Evidence from empirical studies suggests that the effect of remittances on inequality vary over time, leading to a decrease in inequality in the short term, but that the effect is limited in the long run (World Bank, 2006).

Remittances also affect the labour supply of members of the households**.** Remittances may on the one hand allow members of the households to overcome liquidity constraints and enable them to create new enterprises. On the other hand, empirical studies generally find that remittances reduce labour supply. This could be due to several reasons. Remittances can act as a substitute for labour income and reduce the incentives for members to work. However, there might also be indirect effects due to the poverty-reducing effect of remittances, which may allow members to transit into more formal types of employment, increase productivity and encourage investments in human capital, which leads to a decrease in the labour supply in the short run (OECD, 2011).

The effects of remittances on household expenditures and investments have been subject to some debate. While some studies show that households are more prone to spend their remittances on daily consumption and consumption goods (Chami *et al*., 2003; Adams and Cuecuecha, 2010a), other argue that remittances lead to productive investments, such as investments in housing and business creation (Adams and Cuecuecha, 2010b; Woodruff and Zenteno, 2007; Yang, 2008). Studies from different regions have also shown that a substantial part of remittances are spent on the purchase of land. A World Bank study found that a significant share of remittances received by households in a number of African countries were spent on land purchases, investments in building a house and farm investments (Mohapatra and Ratha, 2011). IPPMD survey data, which extends to developing regions beyond Africa, show that real-estate ownership is in general higher among households that receive remittances compared to households that do not receive remittances (Figure 6.11).

**Figure 6.11: Share of households owning real-estate, by remittance status**

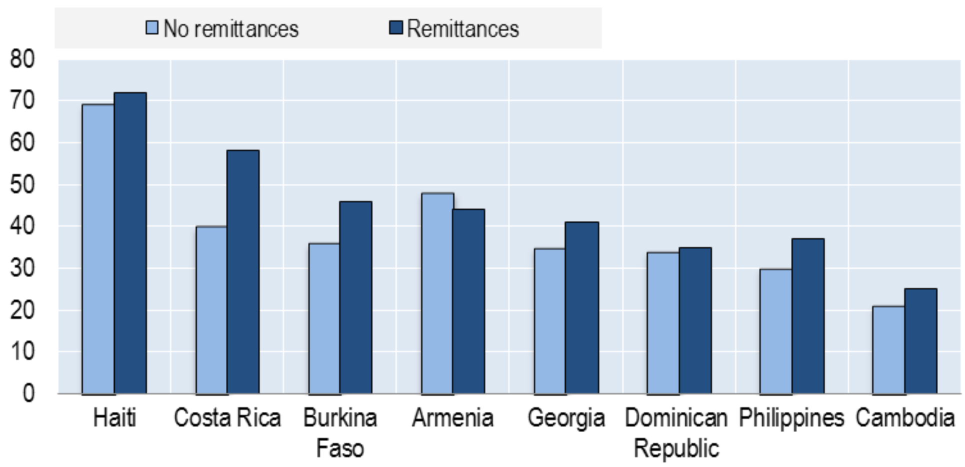



Note: Real estate include non-agriculture land and/or housing other than house used as accommodation by the household.

Remittances may also affect education investments and education outcomes of children in migrant origin countries. Studies generally find that remittances reduce school dropouts and increase the years of schooling of children in households that receive remittances (see for example Adams 2006; Cox-Edwards and Ureta 2003; Hanson and Woodruff, 2003; Yang, 2008).

OECD data from the IPPMD project show that young people residing in households that receive remittances are more often enrolled in education compared to the youth living in households that do not receive remittances. This pattern holds for all countries included in the study, but Armenia (Figure 6.12).

**Figure 6.12: Share of youth (aged 18-22) enrolled in education, by remittance status**




## 6. 6.2.3 The role of public polices in maximising the positive impacts of remittances

There has been a recent interest from policy makers to encourage flows of remittances and create an enabling environment for remittances to be used for productive investments. To be sure, remittances are private sources of funding, and policy makers cannot decide how individuals and household spend their money. Nevertheless, public policies can play an important role in creating an enabling environment that helps migrants and remittance-recipients to maximise the sending and the use of remittances.

There are in general three channels through which policies can affect remittances:

An impact on the intensive margin, i.e. the **decision to send remittances** or not;

An effect on the extensive margin, i.e. the **amount and frequency** of remittances sent;

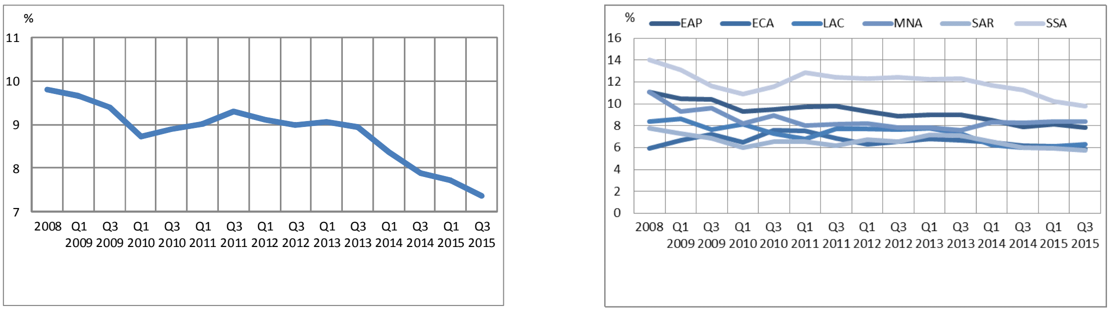
An effect on the **use of remittances**.

Policies affecting remittances can in turn be categorised in two sets of polices: policies with an explicit aim to target the sending and use of remittances, and more general sectoral development policies that indirectly affect remittance behaviour. Policy makers and researchers have focused significant attention on the first set of policies, while the latter set of policies has received much less attention.

Policy efforts to promote and enhance the development potential of remittances include fiscal, financial and institutional policies. Current policies mainly focus on lowering the costs of remittances though increased competition among service providers and changes in regulatory frameworks, expanding financial literacy, fostering financial inclusion among migrants and remittance-recipients, and expanding service provision to make services more available.

The high costs of sending remittances have been one of the main areas of policy intervention. Initiatives to lower these costs, such as technology improvements through online and mobile money transfer systems, have been put in place, and the average global costs of sending remittances decreased by about 2.2 percentage points between 2009 and 2015 (Figure 6.13). The cost of sending $200 was about 7.4 percent in the third quarter of 2015. Costs vary largely across regions though. Certain regions and remittance corridors still experience very high costs, in particular Sub-Saharan Africa. The average cost in the region is about 10 percent, with certain corridors, such as South Africa to Zambia and Botswana and Tanzania to Rwanda and Uganda, facing costs above 17 percent (World Bank, 2016).

**Figure 6.13: Overall remittances costs have fallen by approximately 2 percentage points since 2009, but costs vary greatly across regions**




Source: The World Bank, Remittance Prices Worldwide, available at http://remittanceprices.worldbank.org"http://remittanceprices.worldbank.org

Besides increasing remittance flows, policies can also aim at channelling remittances towards more productive investments. Such policies include tax exemptions for remittance income, creating incentives to attract diaspora investments, and matching grants schemes targeting the diaspora. A number of countries, including the Philippines, Sri Lanka, Kenya and Ghana, have issued diaspora bonds to attract savings from migrants abroad. Another example is matching funds introduced by governments to channel collective remittances through Home Town Associations. One of the most well-known matching schemes is *Tres por Uno* (Three for One) in Mexico. The Federal, State and Municipal governments all contribute by tripling the amount of money sent by the migrants to support local development projects.

**Apart from policies directly related to remittances, more general public policies, without having remittances as an explicit target, can affect remittance patterns.** Sectoral development policies can have an indirect effect on remittances though an impact on the incentives to emigrate (as discussed in chapter 4), but also a direct impact on the volumes and use of remittances. Economic and social policies may create incentives for migrant and diaspora to invest more in the origin country, and to channel remittances towards more productive investments.

First, sectoral development policies can affect the decision to send remittances, and the volume of remittances sent. Benefiting from a policy programme, such as a formal social protection programme, could mean less pressure for migrants to send remittances (*crowding out* or *substitution effect*).

However, access to social protection programmes and other types government support could potentially also increase the incentives for the migrant to send remittances when the basic needs of the household are fulfilled and remittances can be spent more productively (*complementary effect*). In the same way, sectoral development policies can have an impact on the use of remittances. Receiving government support can enable the household to redirect remittances and use them for more productive investments.

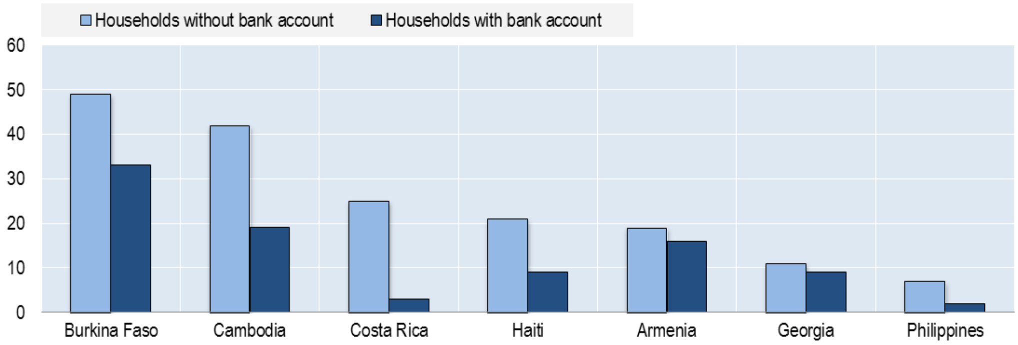
Understanding how household remittance behaviour respond to a change in government assistance and social insurance interventions such conditional cash transfers, pensions, unemployment benefits or agriculture insurance schemes is crucial to assess the expected impact of public programmes. Evidence from a number of country studies show that social security transfers tend to lower (or *crowd out*) household private transfers in general (Cox, Eser and Jimenez, 1998, for Peru) and household remittances in particular (Jensen, 2004, for South Africa; Murrugarra, 2002, for Armenia).

Besides social security transfer programmes, conditional cash transfer (CCT) programmes may affect the level of remittances received by the household. CCT programmes have become an important part of social policy to encourage investments in key areas like education and health in developing countries. Studies show somewhat mixed results when it comes to the relationship between participating in a CCT programme and receiving private transfers. Evidence from Mexico show that households that benefited from a CCT programme received less private transfers compared to household that did not benefit from CCTs (Attanasio and Rios-Rull, 2000). However, other studies found no relationship between participation in a CCT programme and receiving private transfers (Teruel and Davis, 2000, for Mexico; Nielsen and Olinto, 2007, for Honduras and Nicaragua).

As discussed above, public policies can also alter the way remittances are sent and used. Financial systems in developing countries are often serving a very small proportion of the population. Policies to make the financial sector more accessible to all parts of the population can encourage more remittances sent via the formal financial system. Remittances sent through formal channels are not only more secure for the sender and the receiver, but can also contribute to developing the financial sector and create multiplier effects when resources are made available to finance economic activities, which in turn can encourage more productive investments.

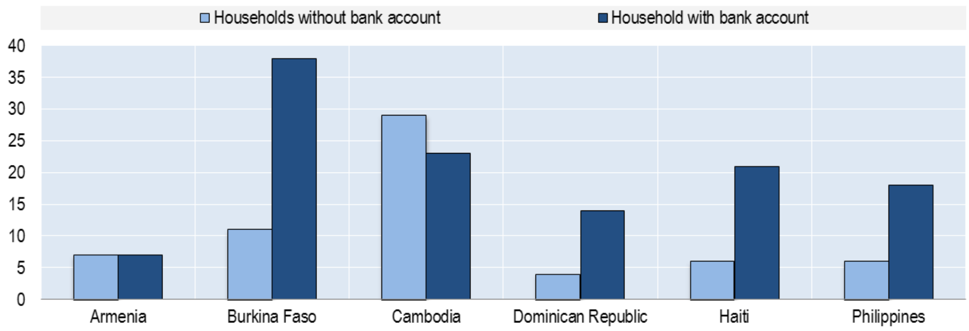
Evidence from the OECD IPPMD project shows that households without access to the formal financial market through a bank account are more likely to receive remittances through informal channels compared to households with access to a bank account (Figure 6.14).

**Figure 6.14: Share of households receiving remittances through informal channels, by bank account status**




Remittances sent through informal channels also limit the ability for households to save and borrow money in the formal financial system. In addition, un-banked households are often subject to higher costs when accessing basic financial services. Figure 6.15 shows that remittance-receiving households with bank accounts generally are more likely to accumulate savings after a member of the household emigrated compared to un-banked remittance-receiving households. The only exception among the countries is Cambodia, where remittance-receiving households without bank accounts are more likely to save. The biggest difference in saving rates between unbanked and banked remittance-receivers is found in Burkina Faso, where banking rates in general are low.

**Figure 6.15: Share of households that accumulated savings after a migrant left, by bank account status**




## 4. 6.3 RETURN MIGRATION AND ITS IMPACT ON THE COUNTRIES OF ORIGIN

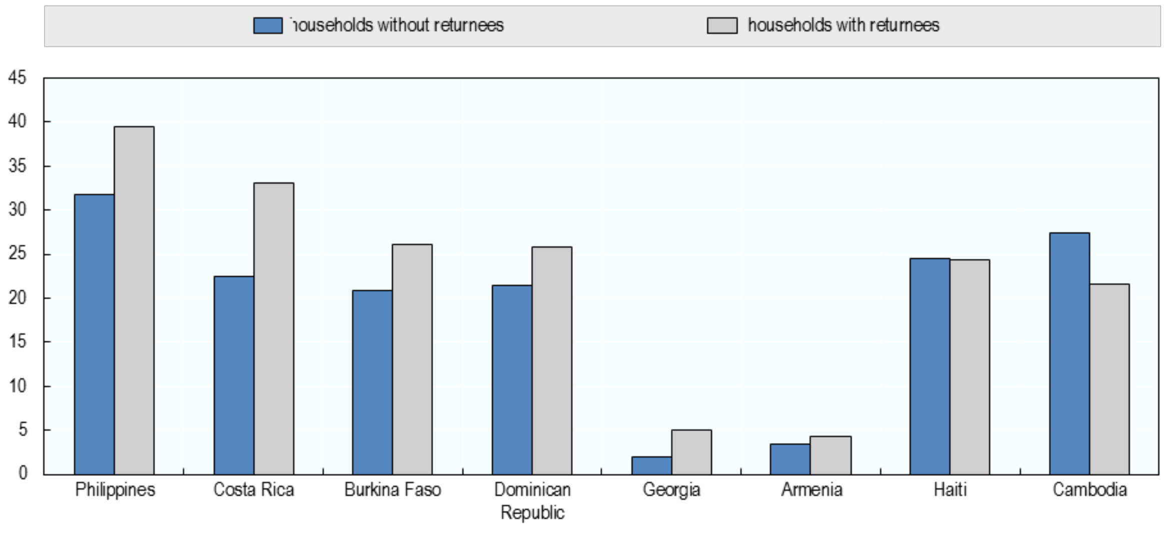
Countries of origin can benefit from return migration for economic growth and development. The financial, human and social resources returnees accumulated in the destination countries can constitute a good source of development or accelerate the development phase in origin countries. Together with adequate policies enabling the resources to be used effectively, return migration can contribute to development in the origin countries.

### 7. 6.3.1 Developmental impact of return migration

***Return migrants can invest in business start-ups and self-employment upon their return.*** Savings accumulated abroad can eliminate credit constraints and be used as a resource for business establishment. Return migrants intending to engage in own-account work and entrepreneurial activities in the country of origin are also more likely to acquire higher savings abroad. Entrepreneurship and self-employment upon return in this case are integral parts of their calculated employment strategies building on migration. On the other hand, such activities may also represent the last resort, especially for those unprepared to return or those whose skills do not match the labour market needs of the country (Mezger Kveder and Flahaux, 2013). Employment in the country of destination as well as before actual emigration, in particular experience in business investment, or an employer status increase the tendency of migrants to start entrepreneurial activities upon return (Gubert and Nordman, 2011; Hamdouch and Wahba, 2012).

Growing evidence from literature suggests that return migrants are more prone to engaging in entrepreneurial activities or own-account work (De Vreyer *et al*. 2010; Ammassari, 2004). IPPMD data points in the same direction, as illustrated in figure 6.16. Although no causal relationship can be established, the figure shows that households with returnees are more likely to run businesses than households without return migrants, with the exception of Cambodia and Haiti. Most businesses, however, employ only family members or close relatives due to limitations concerning the scale and sectors of business set up.

**Figure 6.16. Share of households running businesses, by whether households have returnees or not**

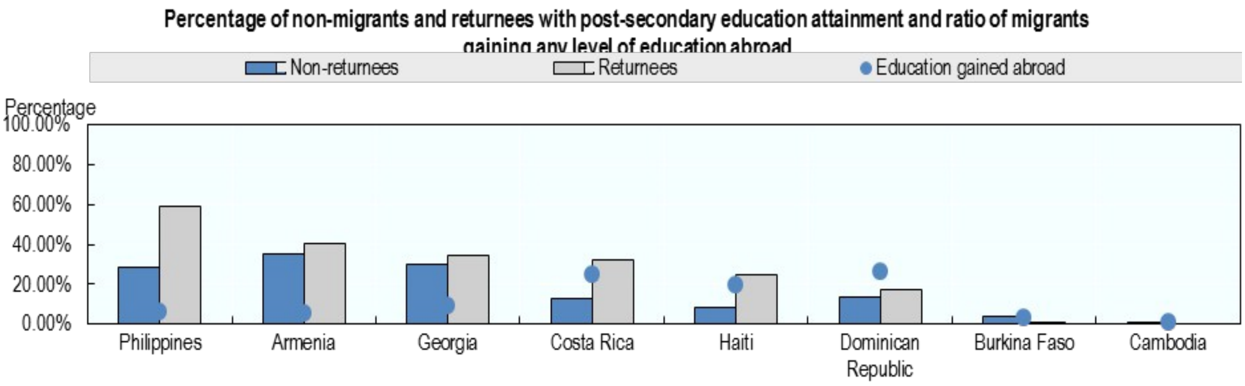



Social norms also play a role for entrepreneurial activities that are undertaken by return migrants, in particular when it comes to female returnees. Prevalent notion and cultural constraints of entrepreneurship as an employment possibility for men rather than women lowers the share of female return migrants involved in entrepreneurial activities (Chitsike, 2000, Kilic et al., 2009). Furthermore, female entrepreneurs usually operate in a narrow range of sectors, mostly traditional ones, and tend to be the "invisible entrepreneurs" (Liedholm, 2002). This may bring limited impact on labour market with less job creations.

**Return migration brings broad payoffs to the origin country through transfer of skills and knowledge gained abroad.** Returning professionals with technological, managerial, marketing or scientific competencies often create new companies, transfer knowledge and increase the human capital stock. In the Chinese private sector, return migrants have applied their international experience to make businesses more competitive and innovative. More than 20 000 returnees worked in over 8 000 start-ups established in China within the National Returnee Entrepreneurial Parks and a high share of the Chinese companies listed on NASDAQ are founded or managed by returnees (Wang, 2012).

Better educated return migrants contribute to human capital gains in the country of origin and alleviate the negative aspects of human capital loss caused by emigration (OECD, 2008). Migration experience abroad contributes to the improvement in educational levels and skills. Figure 6.17 shows that return migrants tend to be better educated than non-migrants, with the exception of Burkina Faso and Cambodia where education levels in general are significantly lower than in the other countries. Return migrants' higher level of educational attainment might be due to the positive initial emigration selection, or to multiple educational or training enrolments abroad, or the combination of both.

**Figure 6.17. Share of individuals with post-secondary education among the groups of non-migrants and return migrants**




In order to fully harness the returnees' set of skills and knowledge acquired abroad, the portability of skills*, i.e.* skills that can productively be used across jobs, occupations and industries, plays an important role. It influences the employment status and the wage premium of return migrants. If skills are not portable from the destination country to the country of origin it might lead to unemployment, whether registered or unregistered, or to the sole employment possibility of part-time employment (Calenda, 2014; CODEV-EPFL *et al.*, 2013). Skills mismatch or over-qualification might delay the labour market participation of return migrants.

**Spillover effects of the transfer of norms from return migrants to non-migrants are wide-ranging.** One of the effects of migration and particularly of return migration induced by the physical presence of migrants back in the country of origin is the transformation of norms. Return migrants contribute to shaping the public discourse, transforming local environment and questioning traditional approaches. However, their actual influence is based on their individual characteristics, migration experience as well as the size of the return migrants' community in the local area.

The level of the (non-)discriminatory transformation of norms is interrelated with the country of destination of return migrants. As the transfer of norms is a process influenced both by the country of origin and destination, it might also have negative consequences, e.g. in the transfer of discriminatory patterns of behaviour to the household of the returnee and to a country with lower levels of discriminatory measures (Tuccio and Wahba, 2015). The influence of the former country of destination of returnees is manifested also in the transfer of norms concerning fertility patterns (Beine *et al.,* 2013, Bertoli and Marchetta, 2015). Destination countries with high fertility rates influence positively the fertility patterns in the country of origin and reciprocally, a low fertility rate in the destination country decreases the fertility rate in the country of origin (Beine *et al.*, 2013).

Return migrants tend to have influence on electoral behaviour, engagement on local political level as well as effect on political engagement of non-migrants. Migration experience might influence political attitudes and behaviour of return migrants both positively as well as negatively, when comparing the values of return migrants before their actual emigration and after return. Within the complex group of return migrants, students studying abroad form an influential group transferring democratic values upon return, but only if they spent their studies in a democratic country (Spilimbergo, 2009). Furthermore, a spill-over effect appears towards non-migrants, in other words, presence of return migrants tends to increase the electoral participation of non-migrants (Waddell and Fontenla, 2015) as well as to alter electoral behaviour within communities (Chauvet and Mercier, 2014). Moreover, experience from abroad leading to a higher exposure to different religious, social or political norms contributes to enhanced tolerance towards diversity in comparison to non-migrants (Pérez-Armendáriz and Crow, 2009). In conclusion, involvement in social, political and economic knowledge transfers as well as other transnational activities enriches not only the country of origin, but serves as indirect re-integration measure for settling in (Bree *et al.,* 2010).

The contribution of return migration to development in the countries of origin is largely subject to the portability of the resources that returnees acquired in the country of destination. This implies that development potential can be limited if return migration occurs as a consequence of failed migration where accumulation of any sort of capital might have been hindered. Once the resources are brought with returnees, they have to be applicable in the countries of origin. If countries of origin have less favourable environments for the resources to be transferred and used, the possible contribution of return migration may be mitigated.

Return in post-conflict contexts can be understood in this context. The development potential of return migration may be more ambiguous in post-conflict environments, as migrants do not automatically contribute to development and peacebuilding, challenged to re-establish their lives in the post-conflict areas (van Houte, 2014). This could be for several reasons. Refugees who return to their country of origin need to reintegrate into a dynamic context that may be very different from the country they left behind. There may be resentment and hostility towards them from people who stayed. Countries may not have the capacity to absorb large numbers of returnees, especially to integrate them into the labour market and local communities may have limited resources and a lack of experience for the reintegration of returnees.

On the other hand, returning refugees may consist of the most educated persons with potential to contribute to the education reconstruction in the country of origin (IBRD and World Bank, 2005). Whether migrants are willing and able to contribute to development can depend on whether they remain ‘mobile’ after their return (i.e. whether they have a legal status in the country of destination that gives them the option to leave their origin country again). Despite the complexity of human factors influencing the development potential of returnees, voluntary return and sustainable reintegration have to be supported also at the national level. The potential of current commitment to the sustainability of return of Afghan refugees at the governmental level has translated into higher numbers of Afghans returning from abroad in the first half of 2015 compared to 2014, strengthening the basis of returnees able to contribute to financial as well as human capital enhancement.

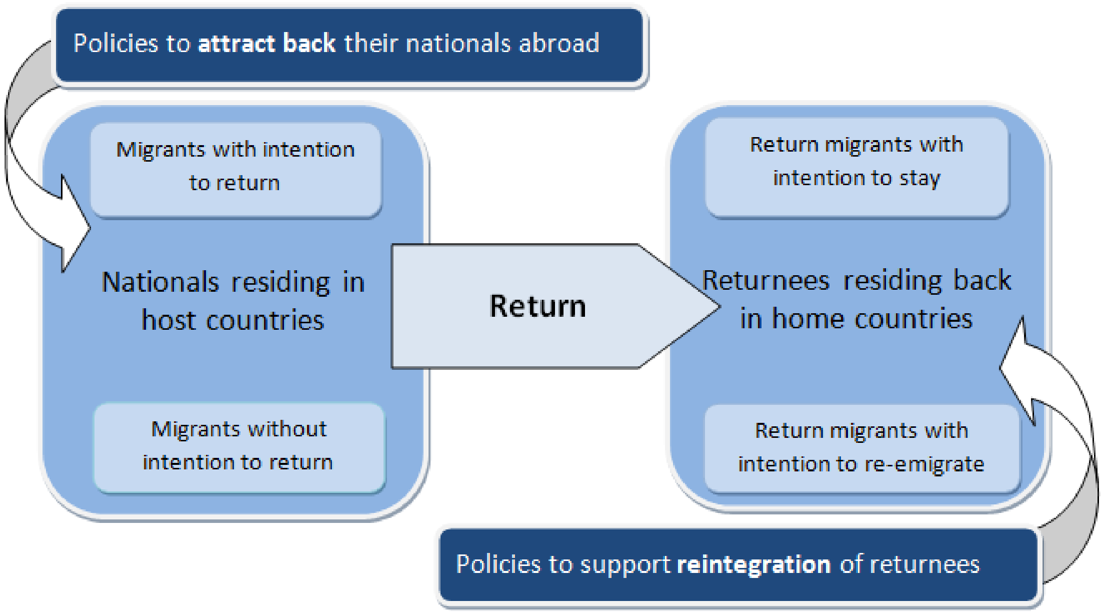
## 8. 6.3.2 Addressing policies related to return migration

Return migration can hold great potentials for development in origin countries. While policies regarding migrant return have been addressed as a key issue in migration flows management in many destination countries (OECD, 2008), return migration has emerged as an important policy issue in the countries of origin as well. Return policies in developing countries can focus on two main objectives, as illustrated by figure 6.18.

Policies can aim at attracting back their nationals abroad to the country of origin. Attraction policies may include direct and/or indirect incentives for return.

Policies can support the adjustment and re-settlement of return migrants in their countries of origin. Reintegration policies may provide measures for productive use of returnees' financial, human and social capital acquired abroad.

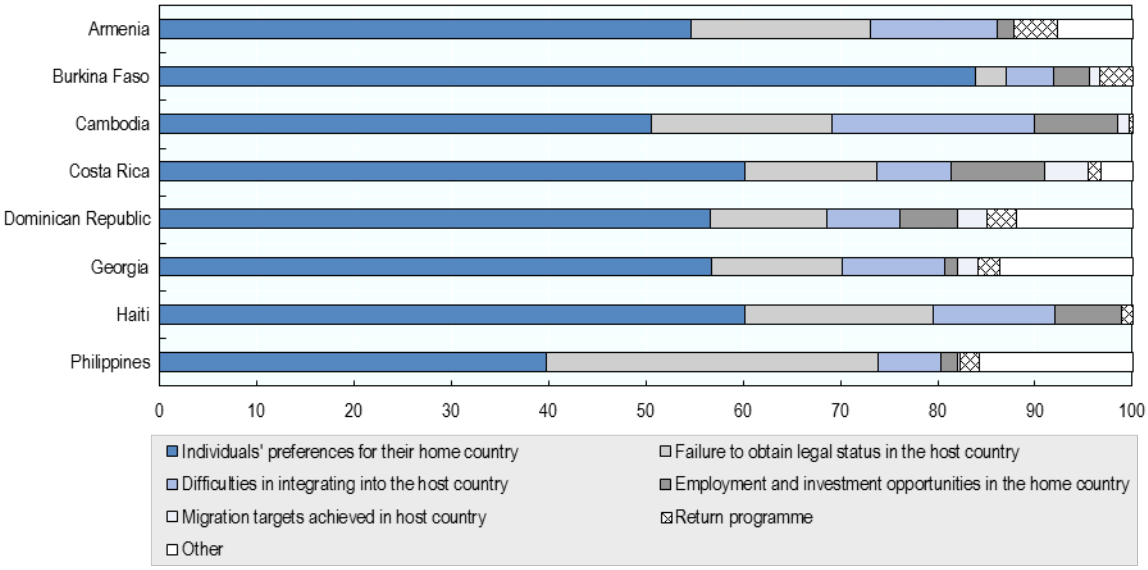
**Figure 6.18. Typology of return policies in countries of origin**




Governments can adopt policies specifically targeting potential return migrants who are currently residing abroad regardless their intentions to come back. Likewise, those actual returnees with or without motives to stay permanently can be targeted for their reintegration policies. More general sectoral development policies can also have an indirect impact on return migration, in particular on successful reintegration of the returnees.

A better understanding of the reasons why migrants decide to return to their origin countries is important for underlining attraction policies. The IPPMD data reports why returnees in eight developing countries came back. While there are some variances across different countries (figure 6.19), some general patterns appear. The decision to return is strongly correlated with personal preferences, for instance to reunite with family or to stay in the countries of origin after retirement. Experiences in countries of destination play a role as a push factor for migrants to return. A substantial number of returnees came back because they failed to obtain relevant legal status for work or residency in destination countries. Difficulties in economic and social integration in destination countries represent another factor. Some groups of migrants decided to return when they acknowledged better employment and investment opportunities in their origin countries.

**Figure 6.19**. Reasons returnees came back to their origin countries



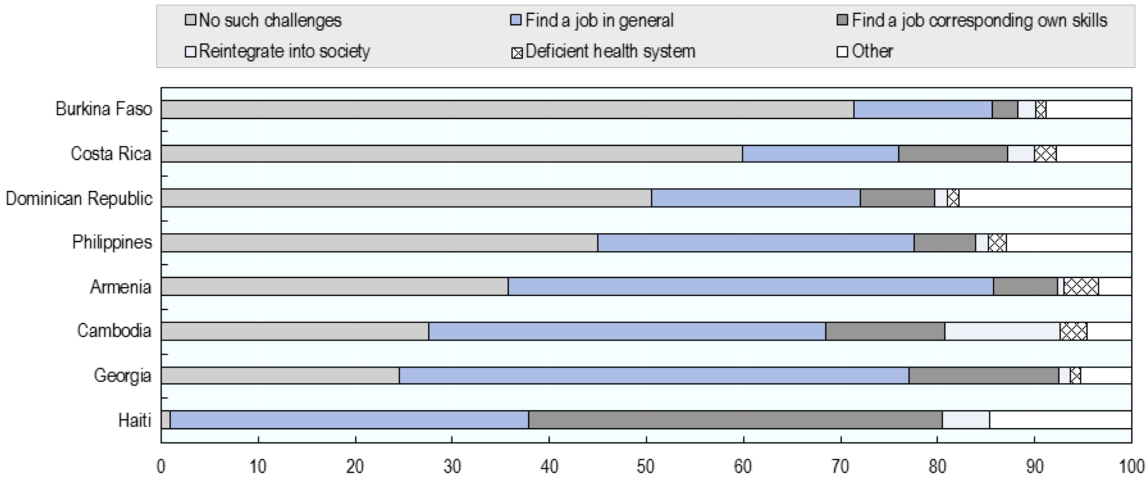

Armenia provides a good example of a country willing to promote return migration by strengthening information channels. It organises job fairs in countries where it has strong ties with diaspora networks to present vacancies for various job positions in the Armenian labour market suitable for potential return migrants. Armenia also runs a bilingual website with comprehensive information on return-related issues. Both measures help potential return migrants overcome the lack of information about the local context.

Financial and non-financial benefits provided to returnees increase the incentives to return. This includes benefits spanning from tax and duty exemptions related to the transport of personal belongings (offered in among other countries Malaysia and Jamaica) to salary subsidies (Thailand) or capital provided for the start of micro businesses (Cape Verde, Georgia and the Philippines).

Targeted return policies combining these incentives and offering additional benefits to high-skilled migrants might have more direct impact on realised return. As part of the temporary employment scheme encompassing both financial and non-financial benefits, Malaysia has introduced a Return Expert Programme (REP) targeting successful Malaysian migrants residing and employed abroad. Beneficiaries of the programme are eligible for a 15% flat-tax rate for two consecutive years, tax exemptions for personal effects and vehicle (special conditions apply) and for receiving permanent resident status for close family members (spouse and children). The Philippines target skilled migrants that are underemployed in destination countries. The Filipino SPIMS (Sa Pinas, Ikaw ang Maám/Sir) project attracts Overseas Filipino Workers who passed the Licensure Examination for Teachers in the past. The incentive provides opportunities for migrants engaged abroad as unskilled labour force (mostly domestic workers) to re-apply teaching skills in the origin country.

Returnees may encounter some challenges to participate in economic, social and political life in the origin countries. In fact, evidence from the IPPMD data indicates that more than half of the returnees have faced some sort of difficulties after their return (Figure 6.20). Integration to the local labour market is the biggest concern as many returnees stated that it is difficult to find a job in general. Finding a job that corresponds to the skills of the returnees raises an additional challenge. This is exacerbated in Haiti, for instance, where the higher skills set of the returnees is not well matched with the local labour market.

**Figure 6.20**. Challenges faced in the origin countries after return




As many migrants do not gain substantial skills due to holding underqualified positions in the country of destination, the human capital acquired abroad is not always relevant in the origin country context (Sinatti 2011). Targeted reintegration programmes addressing specific work-related needs faced by return migrants can help addressing this issue by providing return migrants with requalification trainings or creating environments to better harness their competencies. Salary subsidies, among other financial or non-financial benefits, should reflect the comparative advantage of migrants with significant knowledge and skills acquired abroad relevant for the country of origin, both in the private and public sector.

Repatriation and reintegration programmes aiming at achieving long-term reintegration can contribute to more sustainable return. Some reintegration programmes focus on immediate support to forced or involuntary return migrants, including counselling and assistance related to transport, medical treatment, housing, legal advice or job search. Reintegration programmes may also provide financial support in the form of loans for business start-ups or housing (mortgages). Finally, reintegration programmes can also focus on return migrants' qualifications and offer trainings related to financial literacy, small business management as well as qualification recognition.

### 9. 6.3.3 Facilitating return and reintegration through sectoral policies

**Sectoral development policies can have indirect impacts on migrants' decision to return back to the origin country and on the successful reintegration of return migrants.** General labour market policies to enhance labour market efficiency and increase human capital (through, for instance, vocational trainings) can further support return migrants' participation in the local labour market. Education policies aiming at improving the education system can also play a role for the incentives to return, especially for return migrants with children in school age. Investment policies as well can have indirect repercussion on the use of financial resources return migrants bring back with them. Although government loan incentives targeting potential entrepreneurial return migrants are important by providing starting capital credits, entrepreneurship is often hindered by policies, volatile laws and regulations of the country, non-transparent actions or poor infrastructure (Black and Castaldo, 2009; Gubert and Nordman, 2011).

To ensure the sustainability of return, the conditions in the country of origin need to be favourable, including demographic, socio-economic as well as political and security aspects (Black *et al.,* 2004). Otherwise non-supportive origin country environment might be a push factor for returnees to re-emigrate (Cantore and Cali 2015).

Return is closely interrelated with the economic conditions of the country of origin and the support of its improvement. Evidence suggests that return programmes implemented in Chinese Taipei in the 1980s (through Hsinchu Science Park) succeeded in increasing return rates, but this might also be attributed to the country's economic success. China and India achieved to attract returnees with the establishment of Special economic Zones and High tech parks mainly oriented towards return migrants (Jonkers, 2008). By contrast, Special Economic Zones in Myanmar seem to have a smaller impact on the decision to return compared to FDI incentives (Thet and Pholphirul, 2015).

## 5. CONCLUSION

Migration has an impact on development in the countries of origin, but clear lessons for policy are hard to synthesize. Country context plays a large part in explaining the link between migration and development.

In the immediate wake of emigration, households must deal with the loss of labour, while countries as a whole may suffer a loss of vital human capital. That human capital may come from all skill levels. Brain drain of medical staff is a real threat to the poorest countries, but countries may experience shortages in skilled trades, due to slow internal migration responses and the lag in training new workers.

Individuals in emigrant households seem to work less, in the short term, although women seem to be less affected than men are, perhaps due to lower employment rates to start with. The response in labour supply is likely due to the direct effect of removing a working member to emigration, but also due to a reconfiguration of roles within the household, such as child-rearing and physical agricultural labour. In fact, agricultural households tend to hire external labour in the short term following the emigration of a fellow member, more so than households with no such emigrated member. Emigration also brings social pressures to the household. Many emigrants leave children behind, which then leads to social and educational issues for their children.

However, countries can also benefit from the emigration of its population, especially in countries where the labour market is congested. In such cases, the wage rate may increase and unemployment decrease, particularly in the labour markets from which emigrants left their jobs. Emigration also produces, in most cases, a financial feedback through remittances. Moreover, emigrants may eventually return to the country of origin bringing with them new experiences.

From a macroeconomic perspective, remittances can increase a country's creditworthiness and thereby increase access to international capital markets, which in turn can finance local development projects. At household level, remittances have shown to have positive effects on poverty reduction among households receiving remittances in the migrant's origin country. There has been a recent interest from policy makers to encourage flows of remittances and create an enabling environment for remittances to be used for productive investments. Apart from policies directly related to remittances, more general public policies, without having remittances as an explicit target, can affect remittance patterns.

Return migrants invest in business start-ups upon returning to the country of origin. They also generate transfers of skills and knowledge gained abroad, which generate spillover effects. These effects can manifest themselves, for instance, through the transfer of norms. Policies targeting the return of migrants are increasingly popular but have met mix reviews. Sectoral development policies, in addition, can also have indirect impacts on the decision to return back to the country of origin as well as on the successful reintegration of those that return.

## References


Acosta, P. et al. (2008), "What is the Impact of International Remittances on Poverty and Inequality in Latin America?", *World Development,* Elsevier, vol. 36(1), pages 89-114.

Acosta, P. (2006), "Labor Supply, School Attendance, and Remittances from International Migration: The case of El Salvador*", World Bank Working Paper No. 3903*, World Bank.

Adams, R.H., Jr and A. Cuecuecha (2010a), "The Economic Impact of International Remittances on Poverty and Household Consumption and Investment in Indonesia" *World Bank Working Paper 5433*, World bank.

Adams, R.H., Jr. and A. Cuecuecha (2010b), "Expenditure and Investment in Guatemala." *World Development*, 38 (11): 1626–1641.Washington D.C.

Adams, R. H., Jr.,( 2006). "Remittances, Poverty and Investment in Guatemala." In *International Migration, Remittances and the Brain Drain,* ed. Caglar Ozden and Maurice Schiff, 53–80. Washington, DC: World Bank and Palgrave Macmillan.

Adams, R.H. and J. Page (2005), "Do International Migration and Remittances Reduce Poverty in Developing Countries*"*, *World Development,* Elsevier, vol. 33(10): 1645-69.

Ammassari, S. (2004), "From nation-building to entrepreneurship: the impact of élite return migrants in Côte d'Ivoire and Ghana"*, Population Space Place*, 10: 133–154. doi: 10.1002/psp.319

Attanasio O., and J. Rios-Rull (2000), "Consumption Smoothing in Island Economies: Can Public Insurance Reduce Welfare?" *European Economic Review*, 44:7; 1225-58.

Aydemir, A.B. and G. Borjas (2007), "A Comparative Analysis of the Labor Market Impact of International Migration: Canada, Mexico and the United States", Journal of the European Economic Association, Vol. 5, No. 4, pp. 663-708.

Batista, C., T. McIndoe Calder and P. C. Vicente (2014), "Return Migration, Self-Selection and Entrepreneurship in Mozambique," *IZA Discussion Papers 8195*, Institute for the Study of Labor (IZA).

Beine, M., F. Docquier and Schiff, M. (2013), "International migration, transfer of norms and home country fertility", *Canadian Journal of Economics/Revue canadienne d'économique,* Vol. 46, pp. 1406–1430, doi: 10.1111/caje.12062

Beine, M., F.Docquier and H.Rapoport (2008), "Brain Drain and Human Capital Formation in Developing Countries: Winners and Losers," *The Economic Journal*, Vol. 118(528), pages 631-652, 04.

Benjamin, D. (1992), Household Composition, Labor Markets, and Labor Demand: Testing for Separation in Agricultural Household Models. *Econometrica* 60(2): 287–322.

Bertoli, S. and F. Marchetta (2015), "Bringing It All Back Home – Return Migration and Fertility Choices," *World Development*, Elsevier, vol. 65(C), pp. 27-40.

Black R. and A. Castaldo (2009), "Return migration and entrepreneurship in Ghana and Côte d'Ivoire: the role of capital transfers", *Tijdschrift voor Economische en Sociale Geografie,* Vol. 100/1, pp. 44–58.

Black, R. et al. (2004), "Understanding voluntary return*", Technical Report*. Home Office, London.

Borjas, G. (2008), "Labor Outflows and Labor Inflows in Puerto Rico", Journal of Human Capital, University of Chicago Press, Vol. 2, No. 1, pp.32-68.

Calenda, D. (2014), "Return Migrants' Employement Trajectories", in: Cassarino, *Reintegration and Development,* EUI: Return migration and Development Platform.

Cantore, N. and M. Calì (2015), "The Impact of Temporary Migration on Source Countries", *International Migration Review*. doi: 10.1111/imre.12178

Carletto G. and M.Mendola (2009), "International migration and gender differentials in the home labor market: Evidence from Albania", *Policy Research Working Paper 4900*, Washington DC, The World Bank.

Castañeda, E. and L.Buck (2011), "Remittances, Transnational Parenting, and the Children Left Behind: Economic and Psychological Implications," *Latin Americanist,* 55 (4): 85-110.

Chami, R., C.Fullenkamp and S.Jahjah (2003), "Are Immigrant Remittance Flows a Source of Capital for Development", *IMF Working Paper 03/189*, International Monetary Fund.

Chauvet, L. and M. Mercier (2014), "Do return migrants transfer political norms to their origin country? Evidence from Mali," *Journal of Comparative Economics*, Elsevier, vol. 42/3, pp. 630-651.

Chitsike, C. (2000), "Culture as a barrier to rural women's entrepreneurship: experience from Zimbabwe". *Gender and Development* 8(1), pp:71-77.

CODEV-EPFL, IDSK, JNU & ILO (2013), "Migration, scientific diasporas and development: Impact of skilled return migration on development in India", *Final research report,* Cahier de la Coopération No. 8, CODEV-EPFL, Lausanne.

Cox-Edwards, A. and Ureta, M. (2003), International Migration, Remittances and Schooling: Evidence from El Salvador, *Journal of Development Economics* 72 (2): 429-61.

Cox, Eser and Jimenez (1998), "Motives for Private Transfers over the Life Cycle: An Analytical Framework and Evidence for Peru." *Journal of Development Economics*, 55(1), pp. 57-80.

Davis and Teruel (2000), "Final Report: An Evaluation of the Impact of PROGRESA Cash Payments on Private Inter-Household Transfers." *International Food Policy Research Institute*, Washington, DC.

De Vreyer, P., F. Gubert, and A. S. Robilliard (2010), "Are There Returns to Migration Experience? an Empirical Analysis Using Data on Return Migrants and Non-migrants in West Africa", *Annals of Economics and Statistics*, Vol. 97/98, pp. 307–28. http://www.jstor.org/stable/41219120.

Démurger, S. and Shi (2012), “Migration, Remittances and Rural Employment Patterns: Evidence from China”, mimeo.

Docquier, F. & H. Rapoport (2012), "Globalization, Brain Drain and Development” *Journal of Economic Literature*, vol. 50(3), pages 681-730

Gagnon, J. (2011), “Stay With Us? The Impact of Emigration on Wages in Honduras”, Working Paper No. 300, OECD Development Centre, Paris.

Grabowska-Lusinska, I. (2010). “Skills shortage, emigration and unemployment in Poland: Causes and implications of disequilibrium in the Polish labour market”. In R. Black, G. Engbersen, M. Okólski & C. Pantiru (Eds.), *A continent moving West? EU enlargement and labour migration from Central and Eastern Europe* (pp. 187-206): IMISCOE.

Gubert, F. and C. J. Nordman (2011), “Return migration and small enterprise development in the Maghreb”, in S. Plaza & D. Ratha (eds.), *Diaspora for development in Africa*, Washington DC, The World Bank, pp. 103–126.

Hanson, G.H. and C. Woodruff (2003), “Emigration and Educational Attainment in Mexico”, University of California, San Diego, Mimeo.

Hanson, G. (2007b), “Emigration, Labor Supply, and Earnings in Mexico”, NBER chapters in Mexican Immigration to the United States, National Bureau of Economic Research Inc., Cambridge, MA, pp.289-328.

Hamdouch, B. and J. Wahba (2012), “Return Migration and Entrepreneurship in Morocco”, *Economic Research Forum.*

Hatton, T.J. (2007), "Should we have a WTO for international migration?”, Economic *Policy*, CEPR;CES;MSH, vol. 22, pages 339-383, 04.

IBRD and World Bank (2005), “Reshaping the Future Education and Postconflict Reconstruction”, Washington, DC, World Bank, ISBN 0-8213-5959-2 (http://siteresources.worldbank.org/INTCPR/Resources/Reshaping_the_Future.pdf)

Jensen, R. (2004), “Do Private Transfers Displace the Benefits of Public Transfers? Evidence from South Africa”, *Journal of Public Economics*, 88(1-2), 89-112.

Jonkers, K. (2008), “*A Comparative Study of Return Migration Policies Targeting the Highly Skilled in Four Major Sending Countries”,* MIREM Analytical Report, AR2008-05, RSCAS/EUI, Florence.

Kahancova, M. and M.E. Kaminska (2011), “Emigration and Labour Shortage: An opportunity for trade unions in the New Member States?” *European Journal of Industrial Relations*, Vol.17(2), pp.189-203.

Kahanec, M. and K.Zimmerman (2010), “Migration in an Enlarged EU: A Challenging Solution?” in: Filip Keereman and István Pál Székely (eds.*), Five years of an enlarged EU - a positive-sum game*, pp.63-94, Springer: Berlin, et al.

Kilic, T., G.Calogero, B.Davis and A.Zezza (2009), “Investing back home: return migration and business ownership in Albania”, *Economics of Transition, Vol.* 17/3, pp. 587 - 623.

Liedholm C. (2002), “Small firm dynamics: evidence from Africa and Latin America”, *Small Business Economics* Vol. 18/1–3, pp. 227–242.

Marchetta, F. (2012), “Return Migration and the Survival of Entrepreneurial Activities in Egypt”, *World Development*, Vol. 40: 10, pp. 1999-2013.

Mazzucato, V., M.Siegel and. M.Vanore (2014), ‘Left behind’ but not Left Alone: Parental migration & the psychosocial health of children in Moldova,” *Social Science & Medicine*, 08/2014; 132.

Mezger Kveder C. and M. L. Flahaux (2013), “Returning to Dakar: A Mixed Methods Analysis of the Role of Migration Experience for Occupational Status”, *World Development*, Vol. 45, pp. 223-238.

Mishra, P. (2007), “Emigration and Wages in Source Countries: Evidence from Mexico”, Journal of Development Economics, No. 82, pp.180-199.

Mohapatra, S.; Ratha, D. (2011), Remittance Markets in Africa. World Bank, Washington DC.

Mu, R. and D. van de Walle (2011) “Left Behind to Farm? Women’s Labor Re-allocation in Rural China”, *Labour Economics*, Elsevier, vol. 18(S1), pages S83-S97.

Murrugarra, E. (2002) ‘Public transfers and migrants’ remittances: evidence from the recent Armenian experience’, *World Bank Economists’ Forum*, 2, 25–47.

Nielsen, Mette E., and P. Olinto (2007). “Do Conditional Cash Transfers Crowd Out Private Transfers? Evidence from Randomized Trials in Honduras and Nicaragua.” Paper prepared for World Bank Latin American and Caribbean Regional Studies Program. Washington, DC.

OECD (2008), "Return Migration: A New Perspective", in OECD, *International Migration Outlook 2008*, OECD Publishing, Paris.

OECD (2011), “Tackling the Policy Challenges of Migration: Regulation, Integration, Development”, OECD Publishing, Paris.

OECD (2015), “International Migration Outlook 2015,” OECD Publishing, Paris.

O’Neil, K (2003), “Brain Drain and Gain: The Case of Taiwan, Migration Policy Institute, September.

Pérez-Armendáriz, C., and D. Crow (2009), “Do migrants remit democracy? International migration, political beliefs, and behavior in Mexico”, *Comparative political studies, Vol.* 43/1, pp. 119–148.

Ratha, D. (2007), “Leveraging Remittances for Development”Policy Brief (*June*), Migration Policy Insitute, Washington D.C.

Sadiqi, F. and M. Ennaji (2004) “The Impact of Male Migration from Morocco to Europe on Women: A Gender Approach.” *Finisterra* 39(77):59–76.

Sinatti, G. (2011), "'Mobile transmigrants' or 'unsettled returnees'? myth of return and permanent resettlement among Senegalese migrants", *Population Space Place*, Vol. 17, pp. 153–166.

Shrestha, S.A. (2011), "Human Capital Investment Responses to Skilled Migration Prospects: Evidence from a Natural Experiment in Nepal", mimeo.

Thet, M.M. and P. Pholphirul (2015), "The Perception of Myanmar Development on its Return Migrants: Implications for Burmese Migrants in Thailand*, "Journal of International Migration and Integration",* Springer, Netherlands.

Tuccio, M. and J. Wahba (2015). "Can I Have Permission to Leave the House? Return Migration and the Transfer of Gender Norms", IZA DP No. 9216.

Van Houte, M. (2014), "Moving back or moving forward? Return migration after conflict", PhD dissertation, Maastricht University/United Nations University

Waddell, B. J. and M. Fontenla (2015), "The Mexican Dream? The Effect of Return Migrants on Hometown Development." *The Social Science Journal.*

Wang, H. (2012), "*Globalizing China: The influence, strategies and successes of Chinese returnee entrepreneurs*", Bingley, Emerald Group Publishing.

Woodruff, C and R. Zenteno (2007), "Migration Networks and Microenterprises in Mexico" *Journal of Development Economics* 82 (2): 509–28.

World Bank (2006), "Global Economic Prospects 2006: Economic Implications of Remittances and Migration", Washington D.C.

World Bank (2016), "Migration and Remittances Factbook 2016 : Third Edition". World Bank, Washington DC.

Wouterse, F. (2010), Migration and Technical Efficiency in Cereal Production: Evidence from Burkina Faso, *Agricultural Economics*, Vol.41(5), pp.385-398, 09.

Yang, D. (2008), "International Migration, Remittances and Household Investment: Evidence from Philippine Migrants' Exchange Rate Shocks", *The Economic Journal*, 118(528), pp. 591-630.

Yanovich, L. (2015), "Children Left Behind: The impact of labor migration in Moldova and Ukraine," Migration Policy Institute.

Zaiceva, A. (2014), "Post-enlargement emigration and new EU members' labor markets," IZA World of Labor: 40.