

Who benefits from return migration to developing countries?

Despite returnees being a potential resource, not all developing countries benefit from their return

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ELEVATOR PITCH

Return migration can have multiple benefits. It allows migrants who have accumulated savings abroad to ease credit constraints at home and set up a business. Also, emigrants from developing countries who have invested in their human capital may earn higher wages when they return. However, whether the home country benefits from return migrants depends on the migrant's success in accumulating savings and human capital and on the home country's ability to make use of returnees' skills and investment. To benefit from returnees, home countries need policies that encourage returnees' investment and labor market reintegration.

KEY FINDINGS

Pros

- + On average an estimated two migrants in five will leave the host country within five years of arrival.
- + Migrants accumulate savings, which increases their probability of setting up a business when they return to their home country.
- + Migrants acquire skills abroad that allow them to earn higher wages than non-migrants when they return.
- + Return migrants transfer new ideas and norms that can improve economic and political outcomes in their home country.
- + Return migration can be beneficial to the economic development of the home country.

Cons

- Bureaucracy and red tape can impede returnees' efforts to invest after they return.
- Skills acquired abroad do not always match the skills needed in the home labor market.
- Home country institutions might not be receptive to new ideas and norms acquired by migrants abroad.
- Not all migrants who return home will have been successful abroad.
- Data on return migration are sparse and inconsistent, making analysis difficult.

AUTHOR'S MAIN MESSAGE

Return migration has many potential benefits. Through employment abroad, migrants can increase their income, acquire new skills, and accumulate savings and assets. When migrants return, they transfer both the financial and human capital accumulated abroad. However, benefits materialize in the home country only if return migrants are successful overseas in gaining skills, knowledge, and savings and if the home country has the right policies to encourage investment by returnees and to use their skills. Policy options include reducing red tape, providing information on investment possibilities, and establishing a favorable macroeconomic environment for investment.

