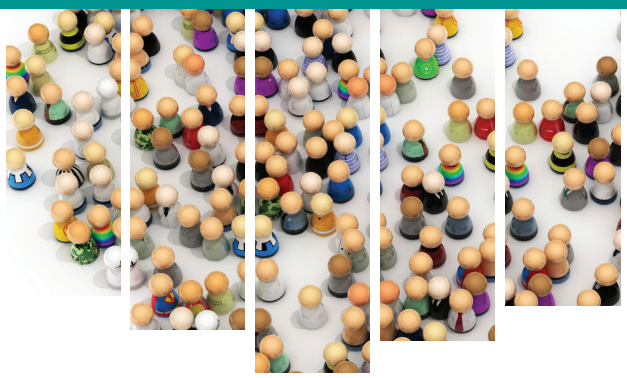
CPC
centre for population change



Do high-income or low-income immigrants leave a host country faster?

Many people think of international migration as a one-way move, whilst in reality many immigrants only move overseas temporarily. An important question is: Who leaves and who stays? For example, is it the successful immigrants who leave whilst the unsuccessful ones, who might be relying on the generosity of the welfare state in the host country, stay? And if so, who leaves faster: the successful immigrants or the unsuccessful ones?

Key Points

- Lowest income immigrants tend to return to their home country the fastest, followed by the high-income group.
- Low-income migrants returning faster can be interpreted as a result of failure; low income tends to be the result of unemployment or very low earnings.
- High earners leaving is usually due to them successfully meeting their target savings or gaining their planned skills.
- The concern that host countries have about being burdened by immigrant welfare seekers is unfounded, as many immigrants leave after they become unemployed or earn no or low-income.
- The idea that immigrants, particularly from poor countries, move especially to benefit from the generosity of the welfare state is tenuous as many do not qualify for welfare benefits.
- The concern by less-developed countries about “brain drain” is exaggerated as migration might actually lead to “brain circulation”.

Introduction

Although international labour migration tends to be mainly motivated by economic reasons such as higher wages and better job opportunities, return migration tends to be more difficult to understand. One theory is that some migrants are target savers; they plan to migrate for a determined period of time to save and then they will return to their home country. Another theory is that immigrants prefer their home country and just migrate for a period of time to build up money

or skills before returning. Others argue that return migration is usually unplanned, driven by unexpected events, and is a sign of failure. So, if migrants are target savers, it might be expected that the more income they earn, the faster they will leave a host country. On the other hand, if immigrants leave very early after their arrival, this might suggest they have been unsuccessful in finding employment or earning an income and have had to cut their losses. This then begs the question: Do high-income or low-income immigrants leave faster?

An interesting issue that has been understudied is the relationship between how long a migrant stays in a host country and their income while they are there. Although it is generally agreed that migration is driven by the difference in wages between the host and home countries, the effect of changes in wages (or income) in the decision to return to a home country is less clear. Migrants would, on the one hand, like to extend their stay overseas as a response to higher wages; on the other hand, the gain from staying longer abroad decreases. As a consequence, higher wages abroad may have a positive or a negative effect on migration duration.

The study

The research uses administrative data from the Netherlands, observing all immigrants who have entered the country between 1999-2007, their motive for migration: whether for labour migration or not, the timing of return and the exact detailed information on their labour market status and income. Given the diversity of immigrants' backgrounds, the analysis is limited to labour immigrants from developing countries, since the behaviour of those immigrants is paramount for policymakers.

Of course, a migrant's income is highly connected to their labour market experience. Income cannot be examined separately from the labour market. For example, unemployment triggers loss of earnings. This research addresses the effect of income on migration duration in a new way that considers the changing nature of income experienced by migrants. It takes into account the connection between the potential reverse causality between the migrant's labour market status and their decision to return to their home country.

Although the research considers all immigrants who arrived in the Netherlands from developing countries (LDC) between 1999-2007, given the potential variation between countries of origin, it has focussed on five main countries of labour immigration to the Netherlands, namely India, Turkey, China, South Africa and Morocco. As seen in Table 1, almost 19 per cent of recent labour immigrants from developing countries came from India and 10 per cent from China. Labour immigrants from Turkey represented 11 per cent and those from Morocco only three per cent, as the majority of immigrants from these two countries tend be family migrants rather than labour immigrants. Finally, eight per cent of immigrants came from South Africa. The distribution of income group shows that labour migrants from Morocco and China more often start with low paying jobs, while Indian and South-African migrants are over-represented in high-paying jobs.

Methodology

Duration analysis is used for the estimation of return migration for two reasons. First, duration analysis focuses on the timing of the return decision and not just on whether it happened or not. A duration model takes into account such a change in intensity to leave. Second, along with the migration decisions, other relevant characteristics of the individuals may also change over time, like the labour market status and the migrant's income.

Table 1 – Characteristics of LDC labour immigrants at time of arrival

	India	Turkey	China	South Africa	Morocco
monthly income (%)					
<€1000	20.6	33.1	42.5	21.7	56.5
€1000- €2000	17.5	27.2	35.2	20.6	25.4
€2000- €3000	25.1	24.5	10.7	21.5	9.6
€3000- €4000	17.5	7.1	4.3	13.1	3.5
€4000- €5000	8.9	2.9	2.1	6.6	1.2
€5000- €6000	3.0	1.2	`.5	3.9	0.2
> €6000	7.5	4.1	3.8	12.6	3.7
Share in total LDC labour immigrants	18.7	10.6	9.9	7.5	2.8

Main findings

The empirical results show that return migration numbers are U-shaped with respect to income, implying a higher amount of returns in low- and high-income groups. Indeed, the findings suggest that the low-income group has the highest number of returns. The evidence suggests that the lowest income immigrants tend to return to their country the fastest, followed by the high-income group. The fact that low-income migrants return faster can be interpreted as a result of failure. Low income tends to be the result of unemployment or very low earnings. On the other hand high earners leaving is usually due to them successfully meeting their target savings or gaining their planned skills.

This U shape is found at different migration durations, though in the Netherlands, the amount of returns decline after five to six years. Interestingly, comparing immigrants from the main five origin countries (India, China, Turkey, South Africa and Morocco) brings up consistent evidence of this U shape relationship between income and return, with the lowest income group having the highest amount, as seen in Table 2. This is consistent with having both successful high-income migrants leaving once they have achieved their savings or skills targets, whilst at the same time, having low-income migrants returning as a result of their limited success.

Table 2 – Average stay at the Netherlands (months), simulation results for 10 years, main countries of origin

	India	Turkey	China	South Africa	Morocco
monthly income < €1000	29.5	42.8	33.2	50.1	50.5
monthly income €2000- €3000	47.7	60.8	52.1	70.3	69.9
monthly income > €6000	31.6	47.2	36.8	54.8	54.8

Notes: monthly income refers to time at arrival

Policy implications

This research shows that the over-concern that host countries often have about being burdened by welfare seekers is actually unfounded, as many immigrants in fact leave after they become unemployed or earn no or low-income. Many immigrants do not qualify automatically for any welfare benefits. Hence, the idea that immigrants, especially from poor countries, move especially to benefit from the generosity of the welfare state is tenuous. Another implication is that when more successful immigrants return to their country of origin, the concern by these less-developed countries about "brain drain" is exaggerated as migration might actually lead to "brain circulation". This suggests that in today's globalised world, those successful migrants are able to circulate and are not a lost investment for their country of origin.

There is no doubt that income is only one factor affecting return migration, though it is a key factor for labour migrants. Return migration is also determined by other factors in the host country as well as in the country of origin. Even though labour migrants might be predominantly swayed by economic factors, there is no doubt that social, political and personal reasons also play a role in the decision to return to their home country.

Further reading

Bijwaard, G. E., and J. Wahba (2014), 'Do High-Income or Low-Income Immigrants Leave Faster?' *Journal of Development Economics*, 108: 54-68.

Authors

Govert E. Bijwaard
(Netherlands Interdisciplinary Demographic Institute (NIDI))

Jackline Wahba
(University of Southampton, CPC)

Edited by Becki Dey
(University of Southampton, CPC)

ESRC Centre for Population Change
Building 58, Room 2043
Faculty of Social and Human Sciences
University of Southampton
SO17 1BJ

Office: +44(0)2380592579

www.cpc.ac.uk