

The Returns to Returning – Economic Returns to Remigration to Finland with Sibling Comparison

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Introduction and background

The cost and return of international migration have received an abundance of research focus. According to human capital theories, individuals are motivated to migrate for the accumulation of human capital through working experience abroad and return to utilize the human capital for the realization of economic benefits (Co et. al, 2000; Dustmann et al., 2011). However, the returns of return migration are difficult to causally examine, since both migration and remigration processes are selected by the individual's background characteristics (Constant & Massey, 2003). Only comparing return migrants and average fellow non-migrants cannot allow us to observe the counterfactual scenario.

In the second half of the 20th century, a large number of Finnish laborers migrated, mainly to Sweden and other Nordic countries, seeking better job opportunities, and many of them returned in a few years. It is shown that the return migrants have undergone significant labor market disadvantage in terms of employment and income levels after return (Saarela, 2015; Saarela & Finnäs, 2009). In this paper, we will revisit the question by deploying sibling comparison design and providing a strong causal claim for the findings. As far as we know, this approach has only been used by Abramitzky et al. (2012) before for studying the labor market outcome of Norwegian migrants to the US in the early 20th century.

Data and methodology

In the current study, we use the high-quality Finnish population register data from 1987 to 2019. Our study primarily focuses on comparing the return migrants and their siblings that have not ever migrated. First, we define *returners* as those who had first emigrated to Sweden or other Nordic countries, when over the age of 18, stayed at least two years so that had time to be integrated in the host country's labor market and gain human capital, and then came back to Finland. Second, *stayers* are those who have not migrated. The study population consists of sibling groups (sharing the same parents) that include both categories. We also restrict the sample to those within birth cohorts 1953-2001 for accurate linkage to parents, and in prime working age of 18-55 years old. The observations are followed until the returners have returned for maximum ten years, and are censored with death, retirement, or (re)emigration.

We will focus on two outcomes: 1) being employed (at the end of the year), and 2) income level (earned + capital incomes, CPI-adjusted and logged). Employment is observed until 2019, and income until 2018. We link the return migrants to their siblings of the same sex, to control for sibling fixed-effect. In this way, we maximally tease out the influence of family and community background, personality, socioeconomic origin, preadolescent life course, etc. in confounding the relationship between return migration and labor market outcome.

Linear regression models with and without sibling fixed effects are tested and compared. Besides, we control for Educational level (primary, secondary, tertiary), family composition (living with partner, children, or parents), urban/rural division, gap years spent abroad and years after return (both categorized), and living in birth municipality. Age groups and mother tongue are controlled for models without sibling fixed effects, as they do not typically vary within the sibling group.

Preliminary findings

First, we descriptively plot the risk of employment and raw income level of return migrants by years after return and time spent abroad. The findings are much in line with what we previously know about the labor market condition of return migrants in Finland (Saarela, 2015; Saarela & Finnäs, 2009). Figures 1-2 show the trajectories of income and employment ratios between returners compared to stayer siblings (value in the same year, fixed as 1), by sex and years after return. In the first two years after return, both men and women returners have substantial disadvantages in both income and employment, compared to their stayer siblings, but they also recover substantially over the years after the return. The employment gap between returners and stayers, however, stay consistent over the years. For income, returners catch up after 3 years. Men returners could even overtake men stayer siblings, which is in fact due to that their income distributed very unevenly, with more very high values.

In Figures 3-4, we show the patterns of returners' income and employment by the length of stay abroad. For men returners are penalized in the labor market for a longer time staying abroad. For women, the difference over length of stay abroad is not substantial. Again, among the returners, women have similar employment conditions compared to men, while men hold a consistent and substantial income advantage.

In Table 1, we show results of linear regression models for the risk of being employed and logged income level, and with or without sibling fixed-effect. Demographic and socioeconomic factors are controlled for in models. Both returner men and women are significantly disadvantaged in employment and income compared to the stayer siblings, and the effects are robust after controlling for sibling fixed-effects. The disadvantages are greater for women returners' income and men returners' employment.

We have done additional robustness analysis: 1) with people holding tertiary education, 2) including returners with all destinations, 3) on sibling groups with small age and 4) educational difference, and 5) using quinquennial data 1975-2015 incorporating early censuses every five years. The disadvantages of returners are consistence across all settings.

Conclusion and discussion

Our findings strengthen findings in the previous literature that return migrants have a disadvantage in the Finnish labor market, with a more rigorous sibling comparison design. Therefore, the labor market disadvantage of Finnish return migrants is less likely to be based on selections of family and individual background. One possible explanation is that the labor market disadvantage of return migrants to Finland is due to the disruption of career and social network during the years spent abroad. However, we also observe that the disadvantage can be reduced over time with the individual's reintegration into the Finnish labor market.

Figure 1: Employment levels of returners compared to stayers, by years after return

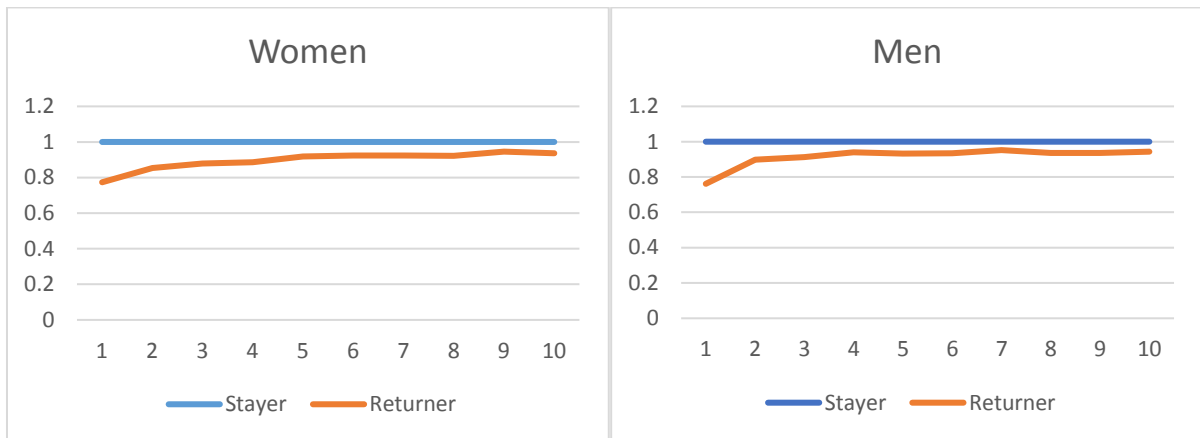


Figure 2: Raw income levels of return migrants by years after return

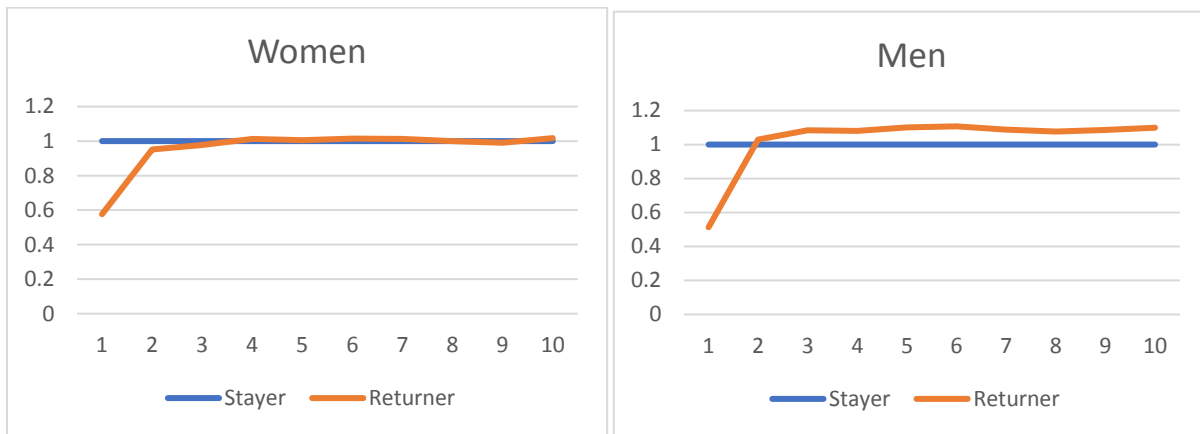


Figure 3: Employment rates of return migrants by years abroad

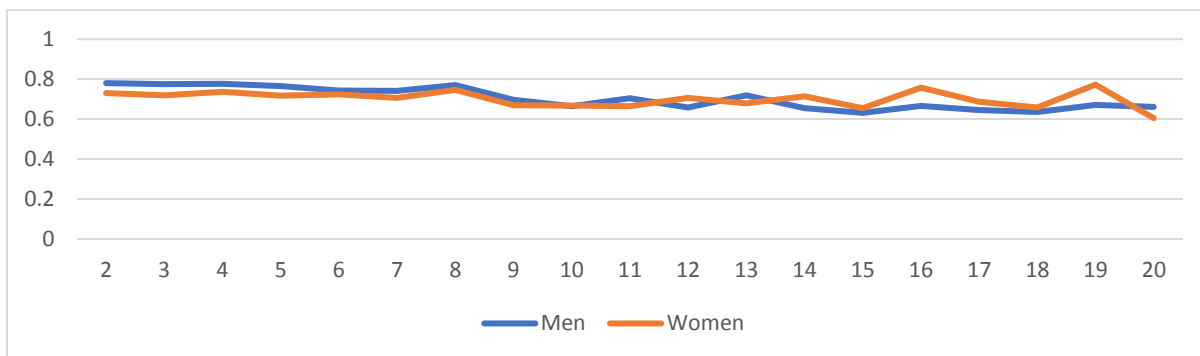


Figure 4: Raw income of return migrants by years abroad

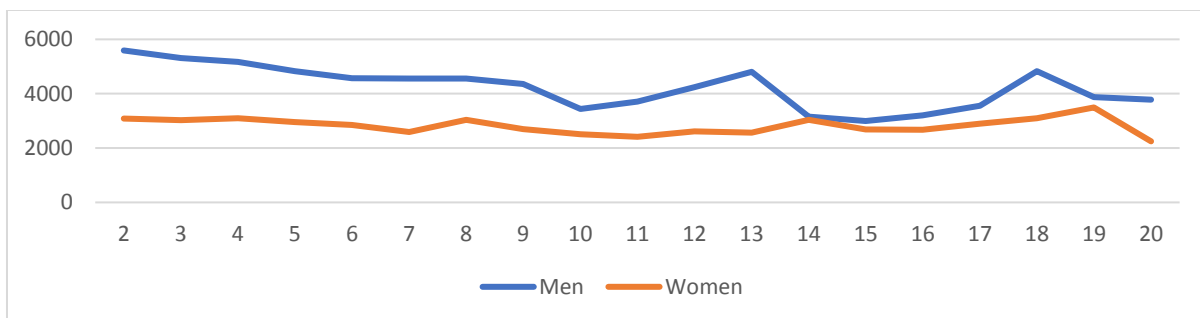


Table 1: regression models on labor market outcomes

Risk of unemployment			
Men		Women	
N = 147141		N = 163993	
No SFE	SFE	No SFE	SFE
-0.065***	-0.055***	-0.054***	-0.053***
(0.003)	(0.003)	(0.003)	(0.003)
Logged income			
Men		Women	
N = 142167		N = 157829	
No SFE	SFE	No SFE	SFE
-0.469***	-0.427***	-0.395***	-0.471***
(0.023)	(0.023)	(0.023)	(0.023)
<i>SFE: sibling fixed-effect; All control variables included.</i>			
<i>***: $p < 0.001$; **: $p < 0.01$; *: $p < 0.05$; Standard errors in parentheses.</i>			

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