

Return migration

The European experience

SUMMARY

Labour immigration contributed strongly to Europe's post-war economic development. In contrast to migration to North America or Australia, these movements of labour were always seen as temporary by sending and receiving countries, and, at least initially, also by most migrants. Although many migrants stayed more permanently, return migration is a highly relevant feature in practice. Its significant role and the underlying behavioural mechanisms are not well understood, however. It is therefore not too surprising that most policy measures taken in the 1970s and 1980s to encourage return migration failed. The paper takes the view that much can be learned from recent European history. Temporary immigration schemes may be helpful to moderate illegal migration and to foster East-West economic relationships. Given the tight policies in the European Union, short-term migration seems to be the only channel to open the door slightly. The paper reviews the European history of return migration and the policy regimes in important European labour migration-receiving countries. It also provides new empirical evidence on the determinants of return behaviour and successful return. Return propensities of migrants increase with the age at entry, but decrease with the number of years of residence. Conditional on having decided to return, however, the remaining years in the country decrease with years of residence and, keeping years of residence constant, with entry age. Return incentives may cause dissatisfaction and reintegration problems in the home country. The results support the view that economic benefits are the larger, the earlier it is clear whether migration is temporary or permanent.

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Return migration: the European experience

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1. INTRODUCTION

In contrast to Australia, Canada and the United States, European countries never considered themselves as immigration countries, although substantial migration has been observed in Europe over recent decades. Table 1 documents this by providing stocks and shares of foreign population for five key Western European countries for 1970–91. There were three major reasons for migratory movements: (1) territorial and political changes in Europe generated ethnic and refugee migrations; (2) severe labour shortages during the strong economic development in central and northern Europe in the 1950s and 1960s caused recruitment of foreign labour; and (3) large economic differences motivated substantial inflows of illegal migrants from Eastern Europe and African and Asian countries.

After the Second World War, Europe experienced four major migration waves (Zimmermann, 1995). (1) Movements in the years between 1945 and 1960 were predominantly caused by war displacements. (2) Between the mid-1950s and 1973, the

I thank my discussants Samuel Bentolila and Riccardo Faini, Klaus F. Zimmermann and several Panel participants for useful comments and suggestions.

Table 1. Foreign population and percentage of total population

	Belgium		France		Germany		Netherlands		Switzerland	
	N	%	N	%	N	%	N	%	N	%
1970	716	7.4	3393	6.6	2976	4.9	n.a.	n.a.	982	15.8
1975	835	8.5	4196	7.9	4089	6.6	350	2.5	1012	15.9
1980	903	9.1	4167	7.7	4435	7.3	520	3.7	892	14.1
1985	846	8.6	n.a.	n.a.	4378	7.2	552	3.8	939	14.5
1990	904	9.1	3596	6.3	5241	8.2	692	4.6	1100	16.3
1991	922	9.2	n.a.	n.a.	5882	7.3	732	4.8	1163	17.1

Notes: N: foreigners in thousands. %: foreign population as a percentage of total population. n.a.: not available.

Sources: Belgium: Eurostat, SOPEMI, own calculations. France: Frey (1986), SOPEMI, Eurostat, own calculations. Numbers for 1970–80 are based on statistics of the Ministère de l'Intérieur. 1990 is from the population census. Germany: SOPEMI, Eurostat, own calculations. Western Germany until 1990. Netherlands: SOPEMI, Frey (1986), table 1, Eurostat, own calculations. Switzerland: SOPEMI, Frey (1986), table 1, Eurostat, own calculations. Only foreigners with permanent and annual residence permits.

large labour demand resulting from strong economic development in northern Europe led to a massive inflow of migrants mainly from the south of Europe, Turkey and northern Africa. This movement came to a halt in 1973, the turning point of the rapid economic development in northern Europe, when many countries stopped active recruitment policies and often imposed severe restrictions on further labour immigration. (3) Migration after 1973 was characterized by family immigration and, as a result of increasing separatist movements and civil wars in many Third World countries and rising inequality, by asylum migration. Finally, (4) East–West migration was initiated in the late 1980s by a liberalization of Soviet policy and accelerated by the fall of the Berlin Wall in 1989.

Migration fosters economic growth

Labour immigration contributed strongly to Europe's post-war economic development. Different from migration to North America or to Australia, this labour migration was always intended to be temporary by the sending and receiving countries and, at least initially, also by the migrants. Permanent settlement or integration was not envisaged. Temporary labour migration seemed to be an ideal instrument to deal with short-run shortages of labour. Such a scheme seems to be beneficial for everybody: the host country solves a temporary disequilibrium problem on the labour market; the migrant increases his or her lifetime wealth; and the migrant's home country benefits from the experience that workers gain abroad.

Initially, policy-makers were short-sighted. Only Switzerland had set up strict enforcement regulations to ensure the return of migrants. Countries like Germany and France relied on deliberate returns. Although most sojourner migrants returned to their home countries, it became obvious in the 1970s that workers' intentions to return did not coincide with what was considered to be politically and economically opportune. In the early 1980s many European governments responded by launching programmes to foster return migration through financial incentives.

Today, labour market conditions are quite different. Unemployment is a major problem, and there is no large-scale excess demand for labour in manufacturing industries. However, unemployment is not necessarily an argument against immigration. Depending on the skill level of migrant labour and the degree of complementarity between different types of labour, immigration may still be beneficial for the general income and employment prospects of natives (Zimmermann, 1995; Bauer and Zimmermann, 1996). There are also sectors which still depend on foreign labour, simply because some jobs are not attractive for native workers: for instance, in the service sector. A longer-term argument for allowing immigration is the ageing of many European populations (Winkelmann and Zimmermann, 1993). Some authors argue that migration, by changing the age structure, could help relieve some of the long-run pressures on the welfare system.

This paper ignores the potential for permanent (long-run) labour immigration in Europe. Nor does it deal with non-economic migration, or the need to improve the integration of current immigrants. These issues deserve a separate treatment. The analysis here concentrates on the case for temporary immigration of workers for a number of reasons. Return migration is an underrated research field of considerable significance for policy. A large proportion of migrants actually return: Figure 1 clearly exhibits this fact for the five major Western European countries between 1970 and 1991. It is also relevant to understand the underlying mechanisms as well as the impact of different policy regimes. Much can be learned from a careful evaluation of recent European history. A temporary labour migration scheme is one instrument to moderate illegal migration, a problem that has become more and more important to Western Europe. It provides human capital investment

**Migrants
actually
return**

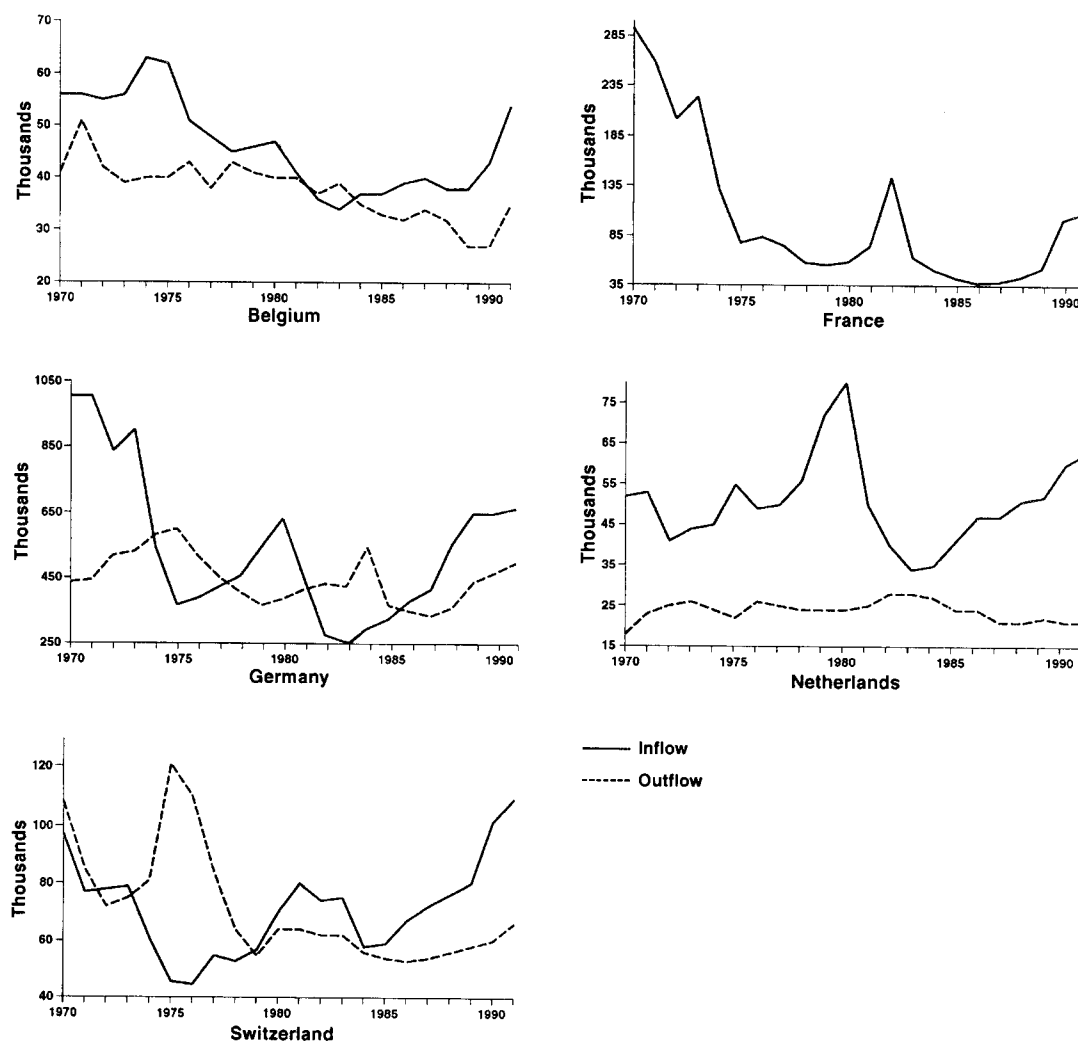


Figure 1. Inflows and outflows of foreign nationals

Sources: Belgium: SOPEMI, Eurostat (Salt and Singleton, 1994), own calculations. France: SOPEMI, Eurostat (Salt and Singleton, 1994), own calculations, outflows n.a. Germany: SOPEMI, Eurostat (Salt and Singleton, 1994), own calculations. Netherlands: SOPEMI, Eurostat (Salt and Singleton, 1994), own calculations. Switzerland: SOPEMI, Frey (1986), table 1, own calculations.

for workers from sending regions, especially from Eastern Europe. It is also an opportunity to learn how to deal with immigration pressures. Finally, given the tight policies in Western European countries today, short-term migration seems to be the only channel by which the door for labour flows can be kept slightly open.

Section 2 examines the experience with temporary migration and related policies of France, Germany and Switzerland, three key European countries. Section 3 investigates the theoretical

background to return migration and provides an empirical analysis of return intentions, return behaviour and return evaluations. The paper concludes with a discussion of the findings and policy implications.

2. RETURN MIGRATION AND POLICIES

Here, I briefly describe the policies of three European countries which have experienced large inflows of labour immigrants: Switzerland, Germany and France.¹ While Germany and France are the two major labour immigration countries (the total gross inflow between 1960 and 1973 amounted to 4.4 million for France and 11 million for Germany), Switzerland has the strictest temporary migration policy, which is largely based on the rotation principle.

2.1. Switzerland

As in many other parts of central and northern Europe, the growing demand for labour in the Swiss economy induced a strong inflow of migrants. Foreigners were recruited especially for jobs which were less attractive to Swiss workers. Immigration was largely considered as temporary. The entire Swiss migration policy before 1963 aimed solely to satisfy the expanding demand for labour. Admission policies at this time were very liberal, and admission and recruitment took place at the level of the private enterprise. At the same time, the opportunities for foreign workers to change jobs and professions were severely limited, and no effort was made to integrate migrants. The liberal admission policy caused a large increase in the numbers of immigrants, leading to a consensus that new immigration had to be restricted.

Starting in 1963, a number of measures were taken to reduce the percentage of foreigners, although with limited success. This marked a change in Swiss migration policy, where the state now controlled immigration size and intervened directly in the employment decisions of firms. Since 1970, the supply of new immigrants has been completely controlled by the state. The Swiss parliament determines every year the maximum number

¹For other reviews, see Höhnekopp (1994); Schmidt (1994); Zimmermann (1994, 1995).

**Switzerland
exercises the
rotation
principle**

of yearly and seasonal migrants. Stabilization of the size of immigration, economic interests (labour market needs, response to business cycles, concerns of the native labour force) and integration of long-term migrants (since 1986) are the objectives of Swiss migration policy.

Switzerland distinguishes between four categories of foreigners: (1) Foreigners with a yearly work and residence permit. The permit may be renewed by the local employment office if certain labour market requirements are fulfilled, including that no Swiss worker is available for the job. After 15 months, they can bring their family, and after 5 years, the permit only has to be renewed every other year. (2) Seasonal workers. Migrants in a job with a seasonal character may stay up to 9 months, but without their family. (3) Commuters. These individuals have no permission to live in Switzerland, but are granted work permits. (4) Foreigners with a permanent work and residence permit. Usually after 5 to 10 years' uninterrupted stay, they receive basically the same rights in the labour market as Swiss nationals, and unlimited and unconditional rights to stay in the country.

The Swiss policy follows the rotation principle, and new permits are almost all temporary. Admissions are granted by the local labour market office, and only immigrants from certain (culturally close) countries are allowed into Switzerland. Actually, most short-term migrants are seasonal. A large proportion of migrants to Switzerland do indeed return. According to Dhima (1991), of the 1981 immigration cohort (63 290 workers), 63% returned home between 1981 and 1989, and 63% of return migrants left Switzerland in the first two years. Some short-term permits changed to long-term permits. Of those who stayed on until 1989 (21 680 individuals), 65% had immigrated on a seasonal permit, but only 18% were in that group in 1989. Migrants increasingly obtained yearly permits: while in 1981 only 33% of those who stayed on until 1989 had a yearly permit, this number had increased to 56% by 1989. However, it is surprising that only 8.5% of the total number of new immigrants in 1981 or 25% of those who stayed had a permanent work and residence permit in 1989.

2.2. Germany

After 1955, the West German economy experienced a strong upward swing, which was accompanied by a fall in the

unemployment rate and an increase in job vacancies. This attracted foreign workers from southern European countries. In 1960 about 280 000 foreign workers were employed in Germany (Mehrländer, 1980). An initiative of the trade unions ensured that migrants were basically granted the same labour market conditions as Germans (see Lohrmann and Manfrass, 1974). Bilateral recruitment agreements between Germany and Spain, Greece, Turkey, Portugal and Yugoslavia in the 1960s (an agreement with Italy had been concluded in 1955) led to an increase in foreign workers to 1.2 million in 1965, or 5.5% of the total labour force (see Velling (1995) for details). Migration costs were reduced considerably: workers entering with a one-year working contract could not be dismissed during this year, travel costs were reimbursed, and employers had to provide accommodation (Mehrländer, 1980). The peak of foreign workers in the German labour force was reached in 1973, with 2.6 million, or 12% of the total labour force. The stock of the foreign population increased from 700 000 in 1961 to 3.96 million in 1973. In 1973, as a reaction to the first oil crisis, active recruitment of foreign labour came to a standstill.

German recruitment policy was based on the assumption that foreign workers immigrate on a short-term basis (guest-workers) to accumulate some savings before returning home. However, even in the 1960s there was discussion about how to encourage return migration (Heyden, 1984). Although a substantial proportion of migrants returned to their home countries after a temporary stay (see Figure 1), this did not necessarily take place when desirable from a political and economic point of view: for instance, during economic recessions. Furthermore, a growing number of the foreign workers settled more permanently and, especially after 1973, brought in their families (see Velling, 1993).

Some bilateral agreements had been signed between Turkey and Germany in 1972 to support returners,² but direct financial incentives were first discussed in 1976 without achieving political consent. In the early 1980s, an increase in the foreign population (due to immigration of dependants and increasing numbers of asylum-seekers) and a rapid deterioration of labour market conditions caused by the second oil crisis changed the

Immigration on a short- term basis

²These measures included technical and economic education, financial consultancy and investment support for business foundations (see Frey, 1986).

government's attitude in favour of an active return policy. A law of 1982 emphasized two principles for future policy: integration and return. The return aspect was enacted by another law in 1983. It envisaged three basic instruments to motivate return: financial incentives, reduction of return barriers and consultation of potential returners. The aim was to encourage about 220 000–250 000 foreigners to leave. The most important instruments were the financial incentives (see Höhnekopp (1987a) for details).

All workers who had become unemployed recently, and those affected by short-term work at least six months before the application, could apply for return aid of 10 500 DM for each worker, plus 1500 DM for each child. Access to these schemes was restricted to certain nationalities, and 13 716 migrants, almost entirely Turks and Portuguese, participated. Additionally, about 120 000 migrants received a refund of their retirement contributions. Officially, the number of individuals including family members who left Germany as a result of the law was reported to be about 300 000 (Heyden, 1986). However, this figure also includes those who would have returned anyway, and Höhnekopp (1987a) estimates the additional effect at only 133 000.

2.3. France

The colonial past makes the history of French migration in some respects different to that of Germany. In particular, France has closer links to those sending countries which are former colonies, and naturalization is easier in France than in Germany. However, many experiences with labour migration and labour migration policies are similar in the two countries. Like Germany, France tried to stop further immigration in 1974. This led to a new French migration policy, which aimed to improve the situation of immigrants and encourage naturalization, but which also restricted new immigration and supported return migration.

In contrast to Germany, where an active return support policy was not politically feasible until 1983, France launched its first active return migration programme in 1975. This involved financial support together with educational programmes, which aimed to equip foreigners with skills demanded in their home country labour markets. This first programme was quite

**Return aid
was
unsuccessful**

unsuccessful, mainly because of the low financial incentives. In view of a strong increase in the number of unemployed foreign workers, the return support programme was revived in 1977 and the return support premium was increased. All foreign workers from countries outside the European Community were entitled to apply for an *aide au retour* of 10 000 FF per worker, 5000 FF for the partner if unemployed and 10 000 FF if employed, and 5000 FF for each child; travel expenses were likewise reimbursed (Weil, 1991). The returner had to renounce any claims on social insurance and to return residence and work permits. Between June 1977 and December 1981, about 94 000 individuals took advantage of this programme, of whom 60 000 were workers and the remainder dependants (Manfrass, 1986). Only 20% of these workers were unemployed. More than 60% of returners were Spanish and Portuguese (Frey, 1986). Again, this number is likely to overestimate the success of the return incentive scheme, since a large fraction of migrants might have returned anyway.

In the early 1980s, increasing unemployment, social tensions and rising hostility towards the foreign population forced the socialist government to adopt more active repatriation programmes. In 1984 a new model of repatriation support, the *aide publique à la réinsertion*, was initiated. The main motivation for this programme was to help large industrial companies (mainly car manufacturers) which were in a critical economic situation. The return aid had three different components: capitalization of two-thirds of claims to unemployment insurance, support of up to 20 000 FF for self-employment projects, and compensation payments from the company of at least 15 000 FF. Entitled to apply for support were all foreign workers from non-European Union countries who had been unemployed for not more than six months, or who were likely to lose employment in due course. Unmarried partners and children could, under some conditions, remain in France if they wished to. No capitalization of retirement funds was envisaged. About 40 000–45 000 individuals took advantage of this programme, of whom some 58% were North Africans.

2.4. A comparison

The main goal was to satisfy the needs of an expanding labour market. An obvious difference between Switzerland and the

other two countries is that Switzerland followed (and still follows) an immigration policy which strictly distinguishes according to migration status. This allows the government to control migration flows on a short-run basis, taking into account both national interests and the concerns of the native workforce. Unlike other countries, recruitment in Switzerland takes place directly at the level of the firm. The government defines the conditions of entry and employment, and determines the number of yearly permits. Few immigrants receive permanent work permits.

France and Germany followed a more *laissez-faire* policy, where the migrant basically determined the length of stay. When the economic situation deteriorated in the early 1980s, incentive schemes to support return migration were all that was possible. Return programmes were based on financial aid and capitalization of funds. However, while in Germany financial aid was restricted to unemployed migrants, this was not the case in France. In France, private companies bore some of the costs of return aid by providing compensation payments. France did not capitalize retirement funds, but only unemployment funds, while Germany only capitalized retirement funds. Furthermore, while in Germany entitlement to support payments required the return of the entire family unit, in France unmarried partners and children were not necessarily required to leave.

3. ANALYSING RETURN BEHAVIOUR

The favoured model is temporary migration

It seems that during recent decades the favoured model of European labour migration has been that of temporary migration. This section provides a framework for understanding behavioural differences under various migration schemes. This is followed by an empirical analysis of return behaviour and return policies.

3.1. Conceptual remarks

It is important to differentiate between temporary and permanent migration, because the behaviour is different. I will take the perspective of the host country and concentrate on the active life of an individual in the workforce. A migrant is permanent if he or she remains until retirement, and temporary if he or she returns before then. A migrant who returns before

retirement age conditions his or her behaviour not only on expectations about the future economic situation in the host country, but also on expectations about the future economic situation in the home country. Permanent migrants, on the other hand, consider only the situation in the host country.

Consider two identical workers in a West European steel manufacturing company. Worker 1 is a native, and she intends to spend her entire future life in her country. Worker 2 is a migrant who comes from a low-wage Eastern European country. For simplicity, assume that worker 2 is on a limited work contract and has to return home afterwards. In his home country, he can get exactly the same job, but receives a far lower wage. Consequently, for worker 2, leisure time is relatively more expensive in the host country than in the home country after return; while for worker 1, leisure time costs the same in the present and the future. Worker 2 will therefore choose to work harder in the host country, where time at the workplace has a high value, and work less at home in the future, where time at the workplace has a relatively low value. Worker 1 will work equally hard in the present and the future. This provides a simple explanation for observed differences in work effort between migrants and natives. (See Galor and Stark (1991) and Dustmann (1994c) for a more detailed analysis.)

A similar analysis explains differences in consumption and savings behaviour. Djajic (1989) shows that one reason for migrants to accumulate savings is lower price levels in their home countries, and Galor and Stark (1990) suggest that a positive return probability may induce migrants to accumulate higher savings than natives. Merkle and Zimmermann (1992) investigate the issue empirically. Another reason for differences in savings behaviour between temporary migrants and natives is income uncertainty (Dustmann, 1995a).

Not only the migrant's work effort and consumption behaviour, but also his or her investment in human capital is affected by the length of time the migrant stays in the host country. It is usually the case that the type of human capital which is productive in the host country labour market differs from the type of human capital which is productive in the labour market of the home country. One reason is that the economic structures differ, sometimes substantially, between sending and receiving countries. For instance, consider a migrant who moves from a country which is still in an agricultural state into a country which

**Permanent
and
temporary
migrants
behave
different**

is highly industrialized. Moreover, some components of human capital are determined by culture and education, such as language, habits and morals.

However, to acquire human capital specific to the host country is costly. The willingness to acquire host country human capital depends crucially on the pay-off period for that human capital. For instance, it is not worth undergoing the effort and cost of learning a foreign language in order to receive a high-paid job for only six months, but it would be worth it if the same job could be retained for the whole of the migrant's remaining time in the labour force. More generally, the longer the migrant's envisaged stay in the host country, the longer is the migrant's pay-off period for investment in host-country-specific human capital and, accordingly, the higher his or her incentive to acquire this human capital. Consequently, one should expect migrants on temporary migration schemes to be less mobile in the foreign labour market than migrants on permanent schemes. This is analysed in detail by Dustmann (1995b).

Return migration may be enforced by contract or be decided by the migrant. With a contract scheme, the migrant conditions labour market and consumption decisions on the (exogenous) contract length. The Swiss system tends to fit this scenario, although contracts can be renewed under certain conditions. Under the German and French schemes in the 1960s and 1970s, it was largely up to the migrant to decide upon the optimal return point. Since return decisions are made simultaneously with other life-cycle decisions, the effect of wage differences between the home and host countries may differ under a deliberate return scheme and a contract scheme.³

What motivates migrants to return deliberately? Net benefits, especially wage differences, are seen as the driving determinant in the early literature (see Sjaastad, 1962; Hicks, 1979).⁴ Accordingly, for a deliberate return it is necessary that the difference between the benefit and the cost of being in the host country is decreasing over the migration history, and that a

³For instance, Dustmann (1994d) shows that, while an increase in wages in the home country increases migrants' consumption in the host country unambiguously under a contract scheme, the effect is not clear if the return point is chosen optimally.

⁴Hicks (1932) states that 'differences in net economic advantages, chiefly differences in wages, are the main causes of migration'. Sjaastad (1962) considers earnings and costs of residence in the host and home locations over the life cycle of the potential migrant. An individual is then likely to migrate when the present value of this decision is positive.

point exists where costs overtake benefits. Dustmann (1994b) discusses three potential motives for return migration: (1) the migrant prefers consumption in the home country; (2) if prices are lower in the home than in the host country, this allows the migrant to take advantage of high wages abroad, but low prices at home; and (3) human capital acquired in the host country is more valuable in the home country.

The following sections analyse migrants' return propensities, return behaviour, and subsequent return evaluations in more detail. The empirical analysis draws on two micro datasets for Germany, but results provide general insights. The first investigation uses the 1984–93 annual waves of the German Socio-economic Panel (SOEP) collected by the Deutsches Institut für Wirtschaftsforschung (DIW). The SOEP contains a large subsample of migrants from the former labour-sending countries of Italy, Turkey, the former Yugoslavia, Spain and Greece. This sample contains migrants with a long duration of residence, whose behaviour may not be representative of migrants who returned earlier. The second dataset refers to Turkish migrants who took advantage of the repatriation scheme and returned to their home countries. The data were collected by the German Institut für Arbeitsmarkt- und Berufsforschung (IAB)⁵ in 1984. A sample of 1200 return migrants were interviewed on their plans and motives. Eight hundred of them were interviewed again in 1986 and 1988 after they had returned to Turkey (Höhnekopp, 1987a, 1987b, 1990). This dataset is unique in that it allows us to assess the situation of returned migrants and the effect of return aid programmes on their well-being.

3.2. Return intentions

The SOEP contains unique information about the return intentions of migrants. Each wave contains two questions concerning return plans. The first question is: 'For how long do you intend to remain in Germany?' There are three possible answers: (1) 'I intend to return in the next 12 months.' (2) 'I would like to remain some more years in Germany.' (3) 'I would like to remain in Germany for ever.' A respondent choosing (2)

**About 60%
intend to
return**

⁵ I am very grateful to Elmar Höhnekopp for making these data available.

is asked to specify the exact number of years he or she would like to remain. In the empirical analysis, this information is used to construct two variables. The first equals 1 if the migrant intends to remain permanently. The second measures the number of years the migrant remains in Germany, if a return is envisaged.

One way to analyse these variables is a tobit specification, where observations are right censored if the migrant wishes to remain permanently. However, likelihood-ratio tests reject the assumption that the parameter estimates in the continuous part and the probit part are equal. Therefore, both equations are estimated separately. The decision to be a permanent migrant is modelled as a probit model. The logarithm of the time to remain in the host country is modelled as a simple regression equation.⁶

Explanatory variables include: personal characteristics and human capital variables, such as age at entry, years of residence, education and language proficiency; labour force status; variables which describe the family environment of the migrant; and a set of nationality dummies. The data are pooled for all the available 10 waves. To reflect differences in macroeconomic conditions between the various sending countries and Germany, year dummies and sets of interaction variables between year dummies and nationality dummies are added to the estimation equations, but results are not reported.

All other findings are given in Table 2. The sample is constrained to males aged 20 to 54 in 1984.⁷ The first four columns report means, estimated coefficients, *t*-statistics and marginal effects for the probit equation, where the marginal effects are calculated at sample means.⁸ The last three columns report means, estimated coefficients and *t*-values for the

⁶ Obviously, separate estimation implies the assumption that the error terms between the probit equation and the linear regression equation are not correlated. A simultaneous estimation requires for non-parametric identification one exclusion restriction on the temporary-permanent regression equation. A variable is needed which affects this decision, but not the conditional decision about the number of years to remain in the host country. There is no variable in the dataset which clearly fulfils this condition, and the zero correlation restriction seems to be preferable to an *ad hoc* choice of some questionable instrument.

⁷ The analysis neglects potential problems of unobserved individual characteristics, and of selective panel attrition. Estimating the respective equations on data for the first wave only gives very similar results.

⁸ The R^2 reported for the probit estimation is that of McKelvey and Zavoina (1975). Veall and Zimmermann (1992) have shown in Monte Carlo studies that this measure mimics the R^2 of the underlying latent variable model.

Table 2. Return intentions

	Binary probit				OLS		
	Mean	C	t	ME	Mean	C	t
Constant		-0.256	-1.9	-0.096		2.268	22.9
Age at arrival	23.59	-0.015	-6.6	-0.005	24.2	-0.017	-10.4
Years since migration	18.30	0.026	7.5	0.009	17.4	-0.006	-2.6
Years of job-specific training	1.40	-0.009	-1.3	-0.003	1.36	0.009	2.0
Years of schooling	1.33	0.022	3.1	0.008	1.23	-0.014	-2.5
Spoken G good or very good	0.48	0.142	3.9	0.053	0.42	0.106	4.1
Spoken G bad or very bad	0.14	-0.189	-3.6	-0.071	0.17	-0.027	-0.8
Not in labour force	0.07	0.120	1.8	0.045	0.12	-0.509	-9.9
Unemployed	0.13	-0.040	-0.5	-0.014	0.07	0.233	3.6
Number of children	0.99	0.050	3.5	0.018	0.99	0.019	1.9
Children in home country	0.10	-0.340	-5.7	-0.128	0.14	-0.161	-4.6
Married	0.87	-0.284	-5.2	-0.107	0.89	0.110	2.6
Partner in home country	0.04	-0.151	-1.6	-0.056	0.05	-0.245	-4.7
Partner German	0.06	0.592	8.5	0.223	0.03	0.225	3.5
Turkish	0.34	-0.129	-1.0	-0.048	0.36	-0.298	-3.3
Yugoslavian	0.21	0.218	1.6	0.082	0.20	0.028	0.3
Greek	0.13	-0.416	-2.6	-0.156	0.15	-0.091	-0.9
Italian	0.19	-0.056	-0.4	-0.020	0.17	-0.375	-3.8
Log-likelihood		-4192.3					
Sample size		6901				4319	
Pseudo- R^2		0.14				0.15	

Notes: C: coefficient, t: t-value. Probit estimation: The dependent variable takes value 1 if individual intends to remain permanently. Permanent intentions: 2582 observations; temporary intentions: 4319 observations. The McKelvey-Zavoina Pseudo- R^2 was recommended by Veall and Zimmermann (1992) because it mimics the R^2 of the underlying latent variable model. Marginal effects (ME) are calculated at sample means. OLS regression: The dependent variable is the log of the intended remaining time in the host country. All estimations include year dummies as well as interactions between nationalities and year dummies, which are not reported.

Source: German Socio-economic Panel, 1984-93.

regression of log of duration of stay in the host country, so that coefficients can be interpreted as percentage changes.

The variable 'age at entry' is constructed as the difference between the migrant's age and his years of residence. Keeping years of residence constant, the coefficient of this variable is negative and significant in the probit equation. Accordingly, the older the migrant is upon entry, the lower is his probability of remaining permanently. The marginal effect, however, is quite small: being 10 years older upon entry reduces the probability of remaining permanently by only 5%. One explanation for the

negative effect of this variable is that the older the migrant is at entry, the stronger and more established are his links to the home country, and the less flexible he is to integrate into the host country society. Migrants who are older at entry are less likely to lose links to their home country, and to establish relationships to the host country.

The second explanation is a human capital argument. The younger the migrant is at entry, the more likely he is to adopt human capital specific to the host country, since the technology of human capital acquisition deteriorates over the life cycle. If this human capital is not completely transferable to the home country labour market, a return is costly, where costs increase with the amount of host country human capital acquired. Age at entry also has a negative effect on the remaining time in the host country for those who intend to return. Being 10 years older upon entry decreases the remaining time in the host country by 17%, keeping years of residence constant.

Length of residence is strongly significant and positive in the probit equation, but negative and significant in the regression equation. Keeping age at entry constant, the 'years since migration' variable measures two counteracting effects. First, if a main goal of migrants is to accumulate savings and to return afterwards (the basic assumption of the rotation principle), then the length of residence should reduce the remaining time abroad. Second, the longer the migrant lives abroad, the more he integrates into the host country society, and the more he disintegrates from his home country society. This affects return propensities negatively.

The positive coefficient in the probit equation suggests that, for the fundamental decision of whether or not to remain permanently, the assimilation aspect is decisive. The marginal effects indicate that every 10 years of residence increase the probability of staying permanently by 9 percentage points. On the other hand, conditional on having decided to return, the years of residence affect the remaining time in the host country negatively. Here the variable reflects the fact that each year of residence brings the migrant closer to his savings target and previously envisaged return point.

To summarize, the following picture emerges: return propensities of migrants increase with the entry age, but decrease with the number of years of residence. Conditional on having decided to return, however, the remaining years in the country

Surprisingly, the variables which measure whether the migrant is in the labour force, and whether he is registered as unemployed, do not affect return probabilities significantly.

⁹See Chiswick (1991) and Dustmann (1994a) for an analysis of language propensities and language as a human capital factor.

However, they do affect the remaining time in the host country. While being registered as unemployed increases the planned duration of stay, being out of the labour force has the opposite effect. Both effects are quite large. One reason for these opposing effects may be differences in benefit entitlements for the two labour market states. Another reason for the strong negative effect of being out of the labour force on the planned duration of stay may be that these individuals are long-term unemployed, discouraged from looking for a job and unwilling to remain longer in the host country.

Variables which measure the family background are marital status and children. The number of children has a positive effect on propensities to remain in the host country, and also on the remaining time abroad. One reason for the positive effect of children in the probit equation is that children are intensively exposed to the population of the host country, especially after school enrolment. This has assimilation spill-over effects on the parents. Furthermore, parents may wish to have their children educated in the host country, and this will positively affect the propensity to stay abroad. On the other hand, the fact that there are children still in the home country affects both propensities to remain and the remaining time abroad negatively.

The variables on marriage are quite important. Being married reduces the probability of remaining permanently by 11 percentage points, as long as the partner does not have German nationality. This reflects the fact that contact with individuals from the host country is reduced in family units, and the traditions of and links to the host country are better preserved. If, additionally, the partner resides in the home country, the effect increases to 16%. However, being married to a partner of German nationality increases the probability of remaining permanently by 12 percentage points. Being married also increases the time to remain abroad of those who wish to return, as long as the partner does not reside in the home country.

Return intentions are quite differently developed between the various nationalities. Compared with the Spanish base group, migrants from the former Yugoslavia have stronger intentions to remain permanently, while the opposite is true for Greek migrants. There are various reasons for nationality effects. First, nationality dummies may reflect differences in the economic situation between host and home countries. Second, they may reflect differences in political situations. Third, they may be a

measure of cultural distance or national identity, which positively affects return propensities.

Return aid programmes in France and Germany required that married partners of a migrant who applied for return aid left the country as well. The French scheme was slightly more liberal, in that it accepted that unmarried partners and children could remain in France if they wished to. How strongly do return plans of family members diverge? One problematic aspect of return migration is that dependent children who follow their parents back to the home country are frequently aliens in these countries, and they suffer from a return. (See Hühnekopp (1987b) for some evidence on Turkish dependants who returned home with their parents.) However, married partners may also have very different ideas about a future return.

I have investigated the differences in the intentions to stay permanently between married foreign partners in the 1984 wave of the SOEP, and the extent of divergence is high. In 9% of the cases, husband and wife had different ideas about a future return: in 6% the husband intended to remain permanently, while the wife wanted to return; in 3% the reverse was true. Both partners intended to stay permanently in 67% of cases, and temporarily in 24%.

3.3. Intentions and realizations

Return intentions are future plans and the joint outcome of optimal decision making with current decisions in an intertemporal framework. They are therefore valid information. Nevertheless, an important issue is how intentions relate to realizations. To evaluate how an intended return might affect behaviour, data on intentions, not realizations are necessary. Behaviour today is based on intended actions in the future, not on realizations. From the theoretical discussion above, it follows that a migrant works more hours in period 1 as long as he *intends* to return in period 2, and wages in the period 2 location are lower than in the period 1 location. If, after all, he does not return in period 2, he has still worked more hours in period 1. It is the *expected* return which links the economic behaviour of the migrant in the host country to the economic situation in the home country.¹⁰

¹⁰ See Galor and Stark (1990) for a discussion in situations where the return is uncertain.

Intentions also matter for the design of repatriation policies. Here it is important to understand in what way the migrant's *return propensity* is affected by factors which may be influenced by the policy-maker. It is the migrant's return propensity which defines the monetary incentive necessary to make the migrant indifferent between leaving and staying. However, it is also important to understand to what extent intentions are realized, and how realizations are affected by certain variables. To compare intentions with realizations necessitates reliable information about actual returns. This, however, is quite problematic. Although this information is contained in the SOEP, it is likely to be noisy, since it is not always possible to distinguish return to the home country from other reasons for panel attrition. The following findings should therefore be handled cautiously, and they are likely to understate the true extent of return.

Table 3 compares intended returns in 1984 with realizations over the subsequent nine years. Over this period, 17% of those who envisaged a return in 1984 have indeed returned. To understand better how actual returns are affected by personal characteristics, a dichotomous variable is constructed which assumes the value 1 if a return takes place over this nine-year period. Probit estimations are then performed, and results are displayed in Table 4. A total of 163 individuals, or 14.7% of the sample, are in the category of returners. Regressors are invariable personal characteristics, and estimations are based on all male individuals in the first wave (1984). Column (1) presents sample means, columns (2) and (3) estimated coefficients and *t*-ratios, and column (4) marginal effects, evaluated at sample means. Since the dependent variable covers only the first nine years after the sample was taken in 1984, the coefficients or marginal effects should be interpreted as the

Return intentions materialize

Table 3. Return intentions and realizations

	Frequency	Percentage
Return intended, realized	140	11.5
Return intended, not realized	667	54.6
Return not intended, returned	41	3.4
Return not intended, not returned	372	30.5
Totals	1220	100

Note: Western Germany. Return intention is measured in 1984. An intention is realized if the individual is returned until 1993.
Source: German Socio-economic Panel, 1984–93.

Table 4. Binary probit estimations on return probabilities

	Mean (1)	Coefficient (2)	<i>t</i> -value (3)	Marginal effect (4)
Constant		-0.626	-2.5	-0.134
Years of schooling	1.36	0.010	0.5	0.002
Years of job-specific training	1.37	-0.022	-0.9	-0.005
Age at entry	23.98	0.022	3.5	0.005
Years since migration	14.56	-0.031	-3.2	-0.007
Turkish	0.32	-0.556	-3.7	-0.119
Yugoslavian	0.20	-0.995	-5.6	-0.213
Greek	0.13	-0.852	-4.3	-0.182
Italian	0.21	-0.275	-1.8	-0.059
Log-likelihood value		-433.2		
Pseudo- R^2		0.05		

Notes: Western Germany. Sample size: 1104. The dichotomous dependent variable is 1 if individual returns in subsequent 9 years (163 observations). The McKelvey-Zavoina Pseudo- R^2 was recommended by Veall and Zimmermann (1992) because it mimics the R^2 of the underlying latent variable model.

Source: German Socio-economic Panel, 1984-93.

effect of respective variables on the probability that a return actually took place during this nine-year period. The educational variables appear to be unimportant predictors for actual return behaviour. The coefficient on the variable 'age at entry' is positive and significant, indicating that those who are older at entry have a higher probability of returning in the subsequent nine years. This is in line with the above findings on intentions. The coefficient on the years of residence variable is negative and significant, indicating that a longer duration decreases the probability of an actual return. This is an interesting result, and it is in line with the above results on intended return probabilities. It seems to indicate that the longer the migrant is in the host country, the lower is the probability that a return will actually take place. Again, return behaviour seems to be quite differently developed between nationalities, with the Spanish base group having the largest propensities, followed by the Italians. Relative economic prosperity of these countries may be an explanation.

3.4. Evaluations of returns

An important question is whether repatriation programmes which are based on incentive schemes to induce migrants to return finally affect the well-being of the migrant positively or negatively. Optimizing individuals should increase their welfare

if they accept return incentives. However, although aid programmes provided a considerable amount of money, in many cases this may have been insufficient to realize certain plans in the home country which were envisaged before migration. The migrant may realize these problems only after having returned.

To analyse whether a return triggered by a repatriation scheme turns out to be advantageous for the migrant requires information which measures the evaluation of the return decision some years after a return. Appropriate information is available in the IAB dataset on Turkish return migrants described in section 3.1.¹¹ Information on evaluations in 1988, four years after return, of a sample of migrants who took advantage of the return support scheme is used. Two measures of *ex post* evaluations are used in the subsequent analysis. The first is based on a question about whether the migrant considers the return choice to have been the right choice. The second is based on a question about whether the migrant has problems in his home country. Table 5 contains the corresponding numbers for the first variable. It turns out that more than half of the individuals in the sample viewed the return decision as wrong or very wrong in 1988. The responses to the second question are similar: four years after a return, 52.3% of the individuals report having problems living in Turkey.

To understand the determinants of these evaluations, the information based on the question about whether the return is considered to have been the right choice is recoded into a variable which takes the values 1 to 4, where 1 refers to 'right', 2 to 'probably right', 3 to 'perhaps wrong' and 4 to 'certainly

Table 5. Evaluation of return migration

	Frequency	Percentage
Right	255	37.1
Probably right	69	10.0
Perhaps wrong	87	12.6
Certainly wrong	277	40.3
Totals	688	100

Note: Western Germany, 1988, Turks returned home.

Source: Institut für Arbeitsmarkt- und Berufsforschung, 1988.

¹¹ See Hühnekopp (1987a, 1990) for a detailed and informative description and interpretation of these data.

Return migrants face problems

wrong'. The responses are ordered, and an appropriate analytical tool is the ordered probit model. The vector of explanatory variables includes personal characteristics of the migrant, such as his age on arrival in Germany, the number of years of residence, and the number of years he attended school in Germany. It further contains family background variables, including a variable which indicates whether the migrant was married before migration, whether he had children before migration, and whether his entire family lived in Germany. All these variables are constructed from information that the migrants provided in the first interview in 1984. In this first interview, they were also asked whether the return aid had affected their return plan, and whether a return was planned at about that time, later or not at all. As column 1 in Table 6 shows, 63% of the sample responded that they intended to return at about that time anyway, 30% wanted to return later and 7% not at all. The last two categories are modelled as two dummy variables in the estimations.

Regression results are provided in Table 6. Column (1) presents means of explanatory variables. Columns (2) and (3) present coefficients and *t*-values for the ordered probit model, and column (4) the marginal effect of being in category 4 (return was 'certainly wrong'), evaluated at sample means. Columns (5) and (6) present estimated coefficients and *t*-values of the probit estimation, where the dependent variable equals 1 if the migrant reports having problems living in his home country, and column (7) displays the marginal effects. Most striking are the effects of the variables which reflect the extent to which the repatriation programme changed previous intentions. The probability of viewing the decision as certainly wrong increases significantly, by 9% if a return was planned only much later, and by 17% if a return was not planned at all.¹²

There are several explanations for these results. A later planned return may simply reflect the fact that the migrant had not yet realized his saving target in 1984. The migrant was therefore not ready to leave, and return aid was not sufficient to compensate for the difference in savings. The intention in 1984 to return later, or not to return at all, may also reflect other

¹²The *t*-values for the marginal effects were calculated using the delta method (see Greene, 1993). They are nearly identical in size to the *t*-values of the coefficients, and therefore not reported.

Table 6. Return evaluations

	Ordered probit				Binary probit		
	Mean (1)	C (2)	t (3)	ME (4)	C (5)	t (6)	ME (7)
Constant		0.800	2.3	0.300	0.419	1.1	0.167
Age at entry	27.7	-0.005	-0.6	-0.002	0.007	0.7	0.002
Years since migration	14.5	-0.032	-2.1	-0.012	-0.061	-3.7	-0.024
Schooling in Germany	0.04	0.625	2.4	0.235	0.322	1.1	0.128
Married before emigration	0.83	-0.043	-0.3	-0.016	-0.229	-1.2	-0.091
Children before emigration	0.69	0.056	0.4	0.021	0.141	0.9	0.056
Children in Germany	0.64	-0.119	-1.2	-0.044	-0.067	-0.6	-0.026
Entire family in Germany	0.60	0.150	1.4	0.056	0.407	3.4	0.162
Return support effective	0.53	0.034	0.4	0.012	0.247	2.5	0.098
Return planned much later	0.30	0.243	2.4	0.091	0.127	1.1	0.050
Return not planned	0.07	0.458	2.8	0.172	0.393	2.1	0.156
μ_1		0.263	8.7				
μ_2		0.594	13.8				
Log-likelihood value		-826.3				-452.1	
Pseudo- R^2		0.07				0.19	

Notes: Ordered probit estimations: dependent variable: 1: right decision; 2: probably right decision; 3: perhaps wrong; 4: certainly wrong. *ME*: marginal effect of being in category 4, evaluated at sample means. μ_1 and μ_2 are thresholds. Probit estimations: dependent variable: 1 if problems living in Turkey, 0 otherwise. *ME*: marginal effects of being category 1, evaluated at sample means. *t*: *t*-values. *C*: coefficient. Sample size: 688. The McKelvey-Zavonia Pseudo- R^2 was recommended by Veall and Zimmermann (1992) because it mimics the R^2 of the underlying latent variable model.

Source: Institut für Arbeitsmarkt- und Berufsforschung, 1984, 1988.

considerations the migrant had previously: for example, that his children benefit from the German education system.

The coefficient on the variable which measures the years of residence supports the hypothesis that the realization of the saving target is an important factor for a positive return evaluation. The longer the migrant remained in the host country, the lower the probability that he considered a return to be the wrong choice, keeping age at entry constant. The effect of this variable is quite strong: every 10 years of residence decrease the probability of considering the return decision as certainly wrong by 12 percentage points. After a longer migration period, the migrant has more wealth, and this allows realizations of initially envisaged plans at home. Again, this is in line with the results on intentions presented above. Long

durations, while reducing return propensities, at the same time ease the reintegration of those who finally return.

The variable which indicates the effect of aid on the return decision is positive, but not significant. The fact that the individual attended school in Germany increases the probability of viewing the decision to return as wrong by 23%. This variable captures an assimilation effect. The family background variables have the expected signs, but they are not significantly different from zero.

Columns (5) and (6) present probit estimations and *t*-values on the variable which measures whether the migrant has problems living in the home country. This variable is slightly different from the first variable: while the first variable reflects more or less the personal evaluation of return migration, the second variable represents a broader view, which should also cover the family context. Although the migrant may personally think the decision to return was right, he may still have problems living in the home country because, for instance, the migrant's family has difficulties adjusting to the home country environment.

The results in column (5) reflect largely the results in column (2). Again, the years since migration variable is strongly significant and negative; every year of residence reduces the probability by 2.4 percentage points. The reason may again be a stronger financial position upon return for those who remained longer. The variable which measures the effect of return support on the return decision is now significant – if a return was triggered by return aid incentives, the probability of having problems in the home country even after four years is increased by about 10 percentage points. The variables which reflect whether a return was planned later or not at all increase the probability that the migrant has problems at home, with the latter being significantly different from zero. The probability of having problems is strongly affected by the fact that the entire family lived in Germany. An obvious reason is that other family members have problems assimilating to the home country.

4. DISCUSSION

In recent decades, many countries with large labour immigration had no long-term migration policy. Migration was initially considered as temporary, with migrants returning home if

economic conditions became less favourable. Return migration, although taking place on a large scale, did not always occur when it was economically and politically opportune. As a consequence, when jobs became scarce in the 1970s, many migration receiving countries set up financial incentives to encourage return migration. These programmes were and are controversial.

Today, many countries in Europe are still in search of a political concept to deal with migration. Past experiences may help to develop appropriate policies. One crucial question is whether migration schemes should be temporary or permanent, and if temporary, how the temporary status could be enforced. In this context, the behaviour of the individual migrant under the various schemes is important. Different migration schemes do induce different behaviour among migrants, with consequences for the host country. These implications should be taken into account when designing migration policies.

The empirical analysis presented here is based on unique micro data for Germany, and studies in detail the return behaviour of migrant workers and the effect of return aid programmes on their well-being. The analysis reveals that in 1984, more than half of the German migrant population intended to return home before retirement age, despite an average duration of about 14 years in the host country. Two crucial variables in determining return behaviour are age at entry, and years since migration. The older the migrant is at the time of entry, the larger is the probability that he will return home. Furthermore, and conditional on the decision to return, the higher the migrant's age at entry, the shorter is the time he intends to remain abroad. Finally, a higher age at entry increases not only the probability of an intended return, but also the probability of an actual return.

Years of residence do indeed reflect a strong assimilation effect, and the longer the migrant has been abroad, the lower is the probability that he wants to return. However, those who have decided to return seem to stick to a previously envisaged return time, which may be the number of years needed to accumulate financial assets; for this group, length of residence in the host country reduces the number of years they intend to remain. Finally, and surprisingly, if the migrant has returned, he is more likely to regret this decision, the shorter the time of residence in the host country. This is unexpected, since longer

durations in the host country should increase disintegration from the home country. An explanation is that it is more difficult to accumulate sufficient financial assets during shorter durations in the host country.

To assess the effect of return support schemes on the well-being of migrants, the paper provides a first analysis of return evaluations of migrants four years after the return has taken place. The results show that migrants who revise their initial return intention as a reaction to a return support scheme are very likely to regret this decision afterwards, and they are also more likely to have problems after returning.

What can be learned from these results for the design of modern migration policies? One important reason for setting up new temporary migration schemes today may be the prevention of illegal migrations. Some sectors of the economy where capital is immobile may be nationally or internationally competitive only if they reduce labour costs. One way to reduce labour costs from the viewpoint of the firm is to employ a mix of native workers and illegal migrants. To prevent firms from employing illegals, governments have the option of setting up control mechanisms, which are costly and do not reduce the pull effect on cheaper labour. Another way to prevent illegal migration is to allow for temporary migrants whose inflow can be controlled for, and who are allowed to underbid the wages of natives. Subcontracting is one way to achieve this goal and, at the same time, to control inflows.

A side effect of a temporary migration scheme is that many potential sending countries in Europe (mainly the former Eastern European countries) have a large potential for economic development. Current receiving countries are interested in these future markets. Temporary migrant workers from these regions may help to establish important economic links with these markets. Future co-operation requires workers with knowledge about the host country in partner firms in the home country. This may secure job opportunities for return migrants, and provide incentives for them to acquire human capital when abroad, as well as incentives to return.

One question is whether, and how, the temporary status of the migrant could be enforced. Recent experience has shown that, although substantial numbers of migrants under a *laissez-faire* policy do indeed return, their self-determined return times are not necessarily compatible with the economic and political

Prevention of illegal immigration

interests of the host country. As a solution, return aid and return incentive programmes were set up. The above analysis reveals that not only are the economic benefits of return incentive schemes questionable, but also they do not necessarily benefit the migrant. Furthermore, a fraction of migrants under a *laissez-faire* system will eventually remain permanently. During migration, intentions about a permanent return are revised. This hinders an optimal economic and social assimilation. It would have been far better to encourage naturalization and integration at earlier stages of the migration decision.

New migration policies could be a mixture of temporary and permanent migration schemes. One temporary migration scheme that also moderates illegal immigration is subcontracting. Under this scheme, the labour migrant is paid under the conditions of his home country. This allows the government to enforce its political interests by controlling the number of permits issued and the length of employment. On the other hand, it is desirable that permanent migrants assimilate rapidly to ensure social mobility and flexibility in the host country labour market. Accordingly, permanent migrants should be granted a permanent status, and receive support for integration as early as possible.

Discussion

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Migration is both an important and a sensitive issue in Europe. So any attempt to study it rigorously is clearly welcome. The paper by Christian Dustmann contains an informative account of temporary migration flows and policies in several European countries since the 1960s, a careful empirical analysis of the return intentions of foreign residents in Germany in the 1980s, and some policy conclusions from the empirical results. The richness of the individual data available further increases the attractiveness of the paper. My comments concentrate on the empirical analysis and the policy implications that may be drawn from it.

The empirical analysis is based on the responses given by male immigrants to a question about their intention of returning to their home country. Dustmann studies separately the

factors determining whether or not the person intends to return at all, and those affecting the number of years of intended stay for individuals who state their willingness to return before retirement. This is the right approach in my opinion.

However, I want to cast some doubts on studying intended temporary migration through the latter variable. A breakdown into three groups – namely, return intended in the short run (within the following 12 or 24 months, say), return intended at a future date, and no return intended – is quite meaningful. On the other hand, the actual number of years of intended stay declared in the second group is not necessarily the best variable to analyse. More specifically, I do not think we should regard an answer like '10 years' of additional intended stay as qualitatively different from, say, '15 years', for two reasons. First, it would be natural for an immigrant to approach the return decision sequentially, revising his choice every year as a result of changes in his personal circumstances and in aggregate events. The return decision is an irreversible investment decision, because the immigrant will (in all likelihood) not be allowed to return to the host country once he has left. This type of decision can be studied as an option value problem. In this setting, it is more meaningful to study whether to exercise the option at a given point in time than to determine how many years it is optimal to keep the option alive. Second, I do not think it is worthwhile for individuals to incur the cost of computing their desired number of years of additional stay with any accuracy when this number goes beyond a few years. Thus, in my opinion, temporary migration would be better understood if we focused on a different measure of temporary migration by estimating a probit regression for short-run versus medium-run intended return, both defined as above.

Another issue regarding the empirical analysis has to do with the measure of return migration chosen. As Dustmann points out, in an analysis of the work effort or saving decisions of foreigners, we would use a measure of return intentions as one of the explanatory variables. But when we are trying to explain return migration, we should study what makes people return rather than what makes them think or say they want to return. In other words, actual returns are in my opinion a better measure of migrants' return propensity than stated return intentions. This view is supported by revealed preference arguments, by the fact that statements of intention may be

biased (for example, if the person thinks his answer may affect public policy) or not well thought-out, and also by Dustmann's own finding that only 40% of intentions do actually materialize (Table 3). Lastly, I expect that people would have a stronger tendency to remain in the host country the longer they have lived there, and so I would expect a negative relationship between the number of years of residence and the propensity to return. This is obtained in the empirical analysis of actual returns (Table 4), but not in the analysis of temporary migration intentions (right-hand side of Table 2). The negative relationship does show up for permanent migration intentions (left-hand side of Table 2), which suggests that those who return are mostly retirees, but the paper does not tell us if this is so. As a result, and given that the panel structure of the data allows it, I would favour a stronger focus on return realizations as opposed to intentions.

Let me now turn to the policy conclusions. The empirical results indicate what variables determine the willingness of foreigners in Germany to return to their home countries. I am not sure that they provide any obvious implications for European migration policy today. First of all, these results could have been useful for the design of European return incentive programmes in the early 1980s. In the mid-1990s, however, European governments apparently agree that issuing permanent immigration permits, as in the 1960s, is not a good idea, and now they almost only issue temporary permits. They also seem to have given up trying to induce the return of those residents who immigrated in the 1960s (which makes sense, given that they have lived for a very long time in the host country). So, even though knowing what determines the return intentions of immigrants may be interesting, it is not clear that it is useful in designing current immigration policy.

It may very well be that those governments which now issue only temporary permits have reached the wrong conclusion, and that it would be welfare improving to issue a significantly higher number of permanent immigration permits. In the concluding section of the paper, Dustmann lists a number of reasons supporting this view. The decision of whether to issue temporary or permanent immigration permits, and in what proportions, should be based on a welfare analysis of the costs and benefits of immigration for the host country. The empirical evidence provided in the current paper is, however, largely

irrelevant for this type of assessment. A welfare analysis of return policies should adopt a broad point of view. In particular, the beneficial effects of immigrants on the host country (e.g. on its economic growth) can be easily overlooked if one just follows the narrow approach of comparing the amounts of money a government needs to give immigrants to induce them to return, with the amounts in pensions or unemployment benefits saved by the government on account of their return. The fact that hardly any welfare analysis of this issue is available points to an area where further empirical research is needed.

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Economists typically argue that immigration should improve welfare in the receiving country. Policy-makers disagree, however, and emphasize the social and political costs of immigration and the consequent need to control the flow of immigrants. Yet, migrants keep coming in, not because economists' opinions matter a lot, but more crucially because there is a strong demand for migrant labour in the economy. Policy-makers must therefore find a way to reconcile the demand for cheaper labour with the desire to limit the social and political impact of migrations. Temporary migrations, it is argued, may well do the job. They allow for a better match between the cyclical nature of labour demand and the flow of migration. They also allow migrants to earn better wages than at home and to acquire valuable skills for when they return home. Finally, they do not raise difficult and yet unresolved problems of migrants' assimilation. Return migrations therefore represent a crucial issue in the design of an effective migration policy.

Dustmann's paper is a welcome contribution to a very relevant and admittedly quite sensitive issue. The paper is built around three main blocks. First, it argues that European migration is mostly temporary, in contrast to migration to the USA. Second, the paper shows that migrants intending to return have a definitely different behaviour from permanent migrants. Finally, it shows that empirical analysis can cast considerable light on whether a given migrant intends to return. A significant merit of this paper is the quality of the empirical analysis, in particular the ability to draw on several sources concerning individual migrants' behaviour and to assemble their findings in

quite a clever way. Some of the paper's conclusions are somewhat questionable.

First of all, it is not true that intercontinental migrations were mostly of the permanent type. As economic historians have shown (Baines, 1991), permanent migration was basically the rule before the fall in overseas transport costs. After 1890, however, return migrations became fairly large. In the early twentieth century, 40–50% of Italians and 30–40% of Portuguese, Croats, Serbs, Hungarians and Poles returned. Stays of 3–4 years were common. Multiple trips were also quite normal. Interestingly enough, the major factor behind the high rate of return was the fall in transport costs and the growing difficulty of acquiring a homestead (i.e. a piece of land and/or a permanent job) in the New World. Low transport costs and limited availability of permanent jobs seem to characterize much of Eastern European and North African emigration, and suggest that return migration may indeed be a popular option (Eichengreen, 1994). Finally, improved conditions at home also played a crucial role in bringing migrants back to their home country.

Dustmann's paper makes a significant effort to document the pattern of return migrations in Europe, but the evidence is still somewhat incomplete. Still, two facts stand out. First, the aggregate propensity to return (measured by the ratio of outflows to the stock of foreigners) declines after 1974. This is somewhat surprising when we recall that employment conditions deteriorated markedly after that date. Second, it appears that the outflow of foreigners (as a percentage of the stock) has been relatively constant (with the exception of Switzerland in 1976), despite changing policies and economic conditions in the host countries. Inflows rather than outflows have been more responsive to business cycle conditions in the receiving countries. One possible interpretation is that regulating inflows is more effective than trying to influence outflows. Alternatively, it could be argued, as the paper does, that return policies were badly designed and as a result quite ineffective.

But what was wrong with return policies? It is well known that after 1973 receiving countries in Europe started implementing very restrictive immigration policies. It is quite plausible that the shift from a relatively open door policy to a very restrictive stance on immigration may have induced a radical change in the return behaviour of migrants. If a migrant is not certain

that he would be allowed back into the host country if he ever returned home, his propensity to return will obviously decline. Paradoxically, therefore, it might have been the tighter immigration policy itself that encouraged foreign workers to lengthen their stay in the receiving countries. We are back to the Lucas critique: if the policy rule changes, agents will modify their behaviour accordingly. Allowing for the effect of migration controls on return migration can provide the key to understanding (1) why return policies were quite ineffective and (2) why return propensities declined after 1974 despite the increase in the host countries' unemployment.

To understand the pattern of migrations, we need to look also at the role of labour demand. The paper, however, is somewhat silent on this issue. According to Sarah Collinson (1993), the main shortcoming of Germany's immigration policy, and an explanation for its failure to enforce a sufficiently high rate of returns, stems from the attempt to fill with temporary migrant workers what were in the end permanent jobs. This strategy was strongly resisted by German entrepreneurs, who complained about the need to retrain workers continuously. A comparison with the Swiss experience would have been instructive, helping to cast some light on whether Switzerland was more successful in its policy of return migrations because of tougher enforcement or more simply because migrants had come to fill mostly temporary jobs.

To sum up, I would reiterate two points. First, the policy debate should focus on two separate but related issues: (1) should policy aim at encouraging temporary migrations? (2) are policy-makers able to control the length of migrants' stay? On this second aspect, a comparison between the Swiss and the German model should be instructive. Second, it is essential to allow in the design of policy for the fact that the migrant's decision to return is also affected by immigration policy. There is no need, I believe, for complicated payment schemes to encourage return migration. By simply leaving a relatively open door to future migration, policy-makers may encourage return migration in a much more effective way than by providing financial aid schemes. In contrast to the USA, Europe still lacks a clear and consistent immigration policy. By repeatedly threatening to close European doors to non-EU migrants, European policy-makers are achieving two undesired objectives: first, they are fostering illegal migration; and

second, they are discouraging foreigners in Europe from returning home.

General discussion

Part of the discussion dealt with the political sensibility of migration. Alan Kirman thought it was difficult to obtain policy conclusions in the absence of an explicit objective function. Of the potential benefits of return migration, the possibility of a reverse flow of ideas from the host country was an interesting one. However, even in this, the objective function was important. He quipped that it used to be said that the Americans sponsored a large number of Japanese students in the hope that they might become more like Americans and slow down the Japanese economy when they returned to Japan. On the whole, he thought the analysis had underestimated the positive contributions that immigrants make to the host society.

Moving on to more specific concerns, István Székely felt that the regressions in the analysis did not address their stated purpose adequately: namely, to relate labour migration to economic variables. For instance, they ignored the fact that immigrants' desire to return must depend on wage differentials between the host country and the country of origin. He was also concerned about the excessive concern with immigrants' intentions rather than their actual behaviour. Frederick van der Ploeg made a case for incorporating dynamic considerations. To the extent that migration flows tend to narrow the wage differential between the country of origin and the host country, they dampen the incentive for further flows. For similar reasons, supporting investment programmes in Eastern Europe and North Africa would dampen the incentive to emigrate from these regions. Lastly, he made a case for a co-ordinated immigration policy in Europe.

Alan Kirman thought that the finding that the immigrant workers' keenness to return varies non-monotonically with the duration of their stay was plausible: in the initial phase of their life cycle, the inclination to stay might increase as they gradually adapt to the consumption bundle of the host country, but as they grow old, family ties, etc. might increase their readiness to return to the country of origin. Commenting on the historical inaccuracy of the claim that mass migration in Europe was a post-Second World War phenomenon, he drew attention to the

massive migrations, say, from Italy to southern France, which occurred much earlier.

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