

### Summary of the report

## Immigration policy for circular migration

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Current migration policy discussions within the European Union concern an extended cooperation between the Union and less developed countries. In these discussions, circular migration has become a central concept for the future migration policy, implying that migrants should be encouraged to move repeatedly between the country of origin and the host country. The basic purpose is to utilise international labour mobility to make both countries' economies more efficient. Labour demand in the rich labour-receiving country should be satisfied at the same time as the incomes of migrants and their family members increase and the economic contacts with the home country are maintained. In particular, the discussions concern the out-migration of highly skilled workers with the stated purpose of ensuring that poor countries benefit from it. Therefore, migration policy has become an integral part of development policy.

Of central importance to the discussions is the long list of effects from the emigration of skilled workers that one needs to add for comprehensive assessment of any policy to regulate migration. Problems of specific migration policies to stimulate mobility discussed in the paper are based on a review of the relevant literature.

One conclusion that is drawn is that one should avoid focusing on the return of emigrants to their home country, whatever their level of skill. Any country that in the short run needs to increase the number of highly skilled workers should recruit these from an international labour market and not necessarily try to get emigrants back. A problem for many poor countries, however, is that they lack the necessary institutions to receive and integrate workers from other countries. Regions of free mobility of labour will hardly be established in the short run. Instead, the countries should focus on creating functioning markets for labour immigration.

Emigration of highly skilled workers lowers the stock of human capital in the short run but the possibilities to emigrate to well-paid jobs abroad may also stimulate more people to acquire higher education. The long run net effect is therefore not clear. Evidence exists that emigration of highly skilled workers has a positive effect on the human capital if the country of origin is large, like China, India or Brazil. Emigration of highly skilled workers does not seem to generate similar positive effects on human capital

formation except in these large countries. Instead, the negative effects on human capital formation appear to dominate. The size of the domestic labour market in the emigration country may thus be of significance for a successful policy of circular migration. A migration policy to stimulate mobility between a rich and a small, less developed country may therefore be to the rich country's benefit while the poor country may be negatively affected.

A migration policy to stimulate mobility should be pursued in cooperation with a large number of countries of origin. This would increase the probability of the positive effects of emigration of highly skilled personnel from poor countries exceeding the negative effects. It may, however, prove favourable for Sweden to elaborate further on the system of a liberal labour force immigration policy from third countries that it introduced in December 2008. Should Sweden have to choose between continuing down this avenue and turning to a highly regulated system according to the lines discussed regarding circular migration, the former option may be preferable.

Furthermore, if the financial effects in the form of remittances, increased trade and increased investment following a longer stay abroad are considered, it may certainly be the case that the small and poor countries may also benefit from emigration even if the stock of human capital decreases. But also these effects may be greater the larger the region of origin. The probability of returnees finding work where he or she may benefit from the new experiences and the knowledge acquired increases according to the size of the domestic country. Since the area within which one may search for business contacts after returning home is larger the probability of profitable investments increases as well, benefiting development.

Rather than cooperating with a single poor country in, say, Sub Saharan Africa, a single EU country could instead choose to cooperate with a set of countries South of the Sahara, where the separate countries have improved their chances of recruiting labour from other countries. Should EU countries today establish a policy for enhancing mobility between the countries, this could do more harm than good to many emigration countries. Whether the single countries in, e.g. Sub Saharan Africa, are large enough today for a policy to enhance mobility to have favourable effects is a question in need of more analysis.

A possible strategy could therefore be to create first functioning labour market institutions so that the individual countries may receive immigrated labour and be better integrated. If conditions improve for migration to EU countries from regions with integrated economies, this would facilitate the search for work of the returning migrants and they could more easily make use of the experiences acquired during their time in the more developed countries. This would also increase the probability of establishing good business relations and profitable investments of any savings. Trade relations between the countries of the poor region as well as with the rich EU country would benefit. Should many single EU countries create a system based on circular migration where people from an area of a free labour market south of the Sahara may emigrate, this would probably generate positive trade effects for the poor region as well as for the developed EU countries. Furthermore, should firms in the rich country demand large numbers of highly skilled workers they could not just turn to a single small developing country.

A migration policy to encourage mobility as discussed under the notion of circular migration may lead to regulations with more negative than positive effects. Using migration policy to support economic development would require much more detailed knowledge about the effects on countries of origin of highly skilled emigrants. A successful highly regulated immigration policy for circular migration requires knowledge for each individual country on the effects on human capital, what migration duration that benefits entrepreneurial activities, effects and extent of remittances, etc. Since this knowledge is largely missing, and will be missing for a long time to come, it may turn out to be a better policy simply to let the market forces determine migration, i.e. to let labour demand in the rich countries determine labour immigration.

Sweden is much in the front line in terms of openness for labour immigration from third countries. The discussions so far about the future EU immigration policy seem to imply less openness than the present Swedish system enjoys. It would be regrettable if Sweden turned to a system with a lower degree of labour mobility across its borders. One strategy could then be to hold on to the present policy and to develop this system. A major advantage is the simplicity and the minimum of regulations that the system requires. Still, the immigration country benefits and the emigration country may find it hard to attract emigrants despite a high demand for their services. The creation of institution for labour immigration in the emigration countries could be an efficient way to improve labour market matching.

*The full report is available at [www.sieps.se](http://www.sieps.se)*