

RESEARCH SUMMARY

The Economic Impacts of Return Migration

Emery, H., McDonald, J.T., Morissette, R. (2017)



New Brunswick (NB) experiences a large outmigration of its residents, particularly among younger residents, traditionally to Ontario, Nova Scotia, and Quebec. Since 2003, Alberta (AB) has emerged as the top destination for NB out-migrants, surpassing Ontario in most years. Saskatchewan (SK) has experienced significant growth in the number of NB out-migrants it has received in recent years. These changes in migratory patterns are primarily a result of the performance in the oil and gas industry and commodities boom, which has attracted many workers from NB to AB/SK. The determinants of inter-provincial migration have been studied but less is known about the determinants of return migration and the earnings impacts of return migration for the migrant and the home economy. In 2017, the New Brunswick institute for Research, Data, and Training (NB-IRDT), through Statistics Canada conducted a study using tax filer data, investigating the economic impacts of migrating from NB to AB/SK and returning to NB. The study period consists of NB out-migrants from 2001 to 2009 and examined earnings two years post migration (2003-2011).

Key Questions

Do NB residents who migrate to AB/SK and then return have comparable characteristics and earnings relative to:

- (i) NB workers who migrate and remain in AB/SK?
- (ii) Workers who stayed in NB?

Why Should We Care?

There is a general perception that if people cannot find work in NB, then they leave the province, and when they return they are better off. To what extent is does this perception hold true? The Organization for Economic Cooperation and Development (OECD) (2008) describes three classes of resources that return migrants transfer to the home economy:

- Human capital gains in terms of experience and education acquired abroad.
- Financial capital in the form of accumulated savings.
- Social capital obtained from their migration experience.

These resources have both a direct and indirect impact on GDP. Return migrants may create new businesses, transfer or adopt new technologies, or disseminate new ideas and better business practices for the home economy.

Trends

Males aged 35 to 54 at the time of migration and females aged 25 and over are less likely to return. The probability of returning to NB falls with time spent in AB/SK. Of those who return to NB after migrating to AB/SK, over 2/3 choose to leave the province again within three years. A large portion of return migrants from the 2001 cohort did not remain in NB for at least three years after return.

Return migration to NB from AB/SK is substantial. Of those who migrated, about 1/3 return to NB three years later.

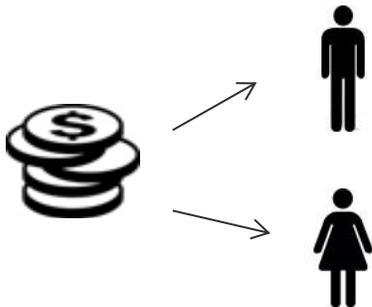
Compared to those who stay, Migrants tend to be...	Compared to permanent migrants, those who return tend to be...
➤ Younger and predominantly male.	➤ Comparable in terms of age, and predominantly male.
➤ Single in the year prior to migration.	➤ Single.
➤ Without union status and are less likely to have a pension plan.	➤ Without a pension plan, and more likely to work in construction.

Migrants are also more likely to have previously commuted to AB/SK for work compared to non-migrants.

The Earnings Consequences of Migration and Return Migration

Relative to those who stay in NB: Return migrants as a whole did not experience any earnings gains in excess of those who left the province. While there was an earnings gain for males and an earnings deficit for females, these results may be impacted by returners who live in NB but continue to be employed in AB/SK.

Relative to those who remain in AB/SK: In the two years prior to return migration to NB, male return migrants have lower earnings than permanent migrants in AB/SK, but the difference is not significantly different from the earnings gap prior to leaving NB. For females, return migrants have lower earnings prior to migration than permanent migrants and the earnings gap increases after migration.



There is an earnings gain of around \$6,500 for men in NB who migrated over those who stayed, representing a 25% gain.

Female return migrants have \$1,500 to \$2,000 less of an earnings gain than stayers, representing as much as a 25% deficit compared to stayers.

Final Thoughts

- The timing of the rise in out-migration from NB was likely due to both push factors from the struggling NB economy and the pull factors from the western Canadian commodities boom.
- The surprising result is that return migrants did not experience any earnings gains in excess of those who left the province. However, this result is in accordance with the OECD assessment that return migration is unlikely to drive growth.
- This is also in line with previous work by Olsen Jr. (1996) who suggests that the absence of higher earnings after return migration to NB is the result of a lack of labour demand for such skills – thereby reducing the value of the worker’s marketable human capital.
- As a result, policies aimed at increasing marketable human capital through training and experience will not cause higher incomes of the individuals in NB.
- Moreover, policies aimed at increasing the number of return migrants or immigrants will also not cause growth in the economy.
- It is therefore more likely that return migration is symptomatic of the opportunities being created in the home economy.
- Thus, policies that promote investment in technology and improve labour market conditions are more likely to spur growth, attract migration and encourage retention.