

**Does International Migration Matter? A Study of Egyptian Return
Migrants**

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1. Introduction

A central feature of globalisation is the increase in labour movements between labour markets. The Arab region witnessed huge flows of labour during the last three decades. Labour migration in the region has become a structural feature of the Arab economies. In the 70s and 80s, labour migration attracted a lot of attention and resulted in a sizeable literature on the welfare implications of emigration and on the uses and impact of remittances. However, the impact of return migration has been relatively under-researched, with the exception of few studies focusing on the characteristics of return migration, e.g. Nassar (1990). Nonetheless, one of the issues that has attracted limited attention is the businesses created by returnees.

Return migrants are important for the development process because they represent the inflow of both financial capital through accumulated overseas savings and human capital through their new acquired skills and knowledge from working overseas to the country of origin. This paper will focus on how return international migration might impact on origin countries. The paper aims to shed light on the potential impact of return international migration on investment and entrepreneurship. The paper will attempt to answer the following questions: To what extent do returnees become entrepreneurs? What types of businesses do entrepreneurs establish? Does working overseas help the returnee to become entrepreneur? Does international migration affect the type or the characteristics of businesses established by the returnees?

Using Egyptian evidence, the nature of return migration, from the Gulf countries, and the possibility that such migration might lead to economic growth as a result of the entrepreneurial contribution of return migrants are explored. The paper will describe the labour market activity of return migrants to Egypt, contrast their situation with that prior to migration, and explore the characteristics and circumstances of returnees that engage in entrepreneurial activity. In addition, the extent to which returnees to Egypt become entrepreneurs, the role of overseas savings in their business investments, and the scale of their employment creation will be studied.

The focus of this paper is not on why migrants return. The small theoretical literature on return migration generally examines the phenomena as part of life-cycle strategy. In this

framework, return migration is part of optimal decision-making and is related to savings behaviour of migrants, their investment in human capital acquisition whilst overseas and the relative wage differences between the host and home country. One reason for return migration is that the marginal utility of consumption is higher in the home country than in the host country-Galor and Stark (1991). Another motive for return, developed by Dustmann (1997), is the relatively high return to overseas human capital investments in the host country. In addition, exogenous factors can also explain the return of migrants e.g. sickness, war...etc.¹ In this paper we do not study the determinants of return migration, but focus on its impact.

There have been concerns that remittances and overseas savings are spent on current consumption or housing investment, and not invested in productive activities or small businesses—for example, see Taylor (1999) for a summary of that debate. This has led to analysis of the occupational choice of return migrants and in particular self-employment and entrepreneurship. Dustmann and Kirchkamp (2002) develop a model where migrants decide simultaneously on the optimal migration duration and their activities after return. They find that among Turkish returnees more than half are economically active and most of these engage in entrepreneurial activities. Mesnard (2001) models migration as a way to overcome credit constraints in the presence of capital markets imperfections. She finds that the majority of entrepreneurial projects started by Tunisian returnees were totally financed through overseas savings. Ilahi (1999) using cross-sectional data from Pakistan, finds that upon return, savings become a significant factor in the choice of self-employment over waged employment. McCormick and Wahba (2001) add a different insight by showing that savings matter more than human capital acquisition for the probability of entrepreneurship of illiterate Egyptian return migrants. However, for the educated returnees, both access to credit, through overseas savings, and human capital accumulation are significant determinants of entrepreneurship upon return. However, these studies do not examine the businesses of returnees which are the focus of this paper.

¹ In this paper we do not model the duration of migration, but assume it is exogenous given the temporary nature of migration in the countries we are studying and the institutional barriers created by the importing Middle Eastern countries.

Although, there is also a small descriptive literature on the use of remittances in small business formation, those studies are based on case studies of specific communities, for example, Durand and Massey (1992), Escobar and Martinez (1990), Portes and Guarnizo (1991) and Lopez and Seligson (1991). However, Woodruff and Zenteno (2001) is the first paper that uses census data- though only study urban areas- and examines the use of remittances in the creation of micro enterprises. They study whether access to remittances is positively correlated with being an owner of a micro enterprise and examine the determinants of enterprise investments using migration rates in state. They find that remittances are responsible for 20% of the capital invested in micro-enterprises in urban Mexico. But, they do not study return migration, which is the focus of this paper.

In section 2 we provide some information on international migration and the scale of remittances to Egypt, and a description of the data set on which our evidence is based. In Section 3 we examine the characteristics of return migrants. Section 4 discusses who becomes an entrepreneur amongst returnees and the role of overseas savings and length of time spent overseas. Section 5 focuses on investment and businesses of returnees, distinguishing between agricultural and non-agricultural projects. In Section 6 we compare the businesses of returnees with those of non-migrants, and test whether return migration influences the nature and characteristics of enterprises. Finally, the main findings are summarised in the Conclusion.

2. Background and Data

After the oil boom of 1973, the Gulf oil -exporting countries found their development plans constrained by labour shortages, and embarked on importing large numbers of workers from neighbouring countries. At the peak, the Gulf states were importing 90% of their labour force. Between 1975-1995, 5 million foreign workers have migrated to the GCC. (see Girgis (2002)) During the 70s and 80s, Arab neighbouring countries were the main labour exporters to the GCC. By the end of the 80s and in the 90s, Arab workers were replaced by Asian nationals. Given, the labour and migration laws in GCC and the fixed term contracts, the region has witnessed high imported labour turnover. In addition, another important consequence has been huge in-flow of remittances to labour exporting countries such as Egypt, Jordan, and Yemen. Estimates of official

remittances from the Gulf countries have been around \$70 billion during the last three decades. Remittances have been a major source of foreign currency to labour exporting countries.

Egypt has been a major labour exporter since the early 70s, exporting both educated and uneducated labour - with around 10% of the labour force working overseas at any point in time. Even in the 80s and 90s, when Asians replaced Arab workers, Egyptians outflow of workers continued though at a lower scale. For example, Egyptian workers were the second highest concentration of migrants after Indian nationals in Saudi Arabia in 1995. Table 1 shows that the ILO estimates that Saudi Arabia is still the main destination of Egyptian migrants.² During the past three decades, remittances to Egypt have been amongst the highest in the world peaking in the early 1990s.

This study uses data from the October 1988 special round of the Labour Force Sample Survey (LFSS), which was carried out by the Central Agency of Public Mobilisation and Statistics (CAPMAS) in Egypt. The 1988 LFSS is nationally representative and includes extensive data on basic demographics and employment characteristics, in addition, to several supplementary survey modules. One of which is on workers who are return migrants, where a migrant refers to someone who spent a minimum of six months overseas and has been overseas only for employment purposes. This return migration module describes the main characteristics of just over 1520 returnees in the labour market before and after migration, in addition to details on migration - country of destination, migration duration, and savings whilst overseas.

In addition, the 1988 LFSS has a supplementary module on the nature of establishments where around 14000 workers were surveyed. This module being part of a household survey gathered information on all economic units and establishments regardless of firm size as is common in establishment surveys and thus captured all employment in the economy not just that that occurs within fixed establishments of a certain size. The economic unit module is extremely valuable in providing detailed picture of informal employment, compliance with labour regulations, and the legal status of firm. We use these data in section 6 to study the impact of return migration on different characteristics of enterprises.

² Based on CAPMAS statistics.

3. Characteristics of Return Migrants

Our sample of Egyptian international migrants shows that Saudi Arabia, Iraq, Kuwait, Libya and Jordan were the five main destinations of migrants. Table 2 shows that in the 1980s, Saudi Arabia has been the main destination of urban Egyptian migrants, while Iraq was the main destination for rural migrants. International migrants returning to Egypt were drawn from a wide spectrum of formal educational backgrounds as shown in Table 3. Around 18% were university graduates, but 30% had no education. Almost all of the returnees were male (94%) and had a mean age of 39. Since on average 5.5 years had passed since a worker had returned from overseas, the mean age on return was 33. Migrants came equally from both urban and rural areas, although migrants in the 70s were mainly drawn from urban areas. In addition, return migrants seem to settle back in their region of origin. Thus, there is no evidence that international migration has led to migrants developing a taste for either 'big-city' life or the facilities of urban areas, and hence to moving from rural to urban areas after return. This may be the result of the increase in housing prices in urban areas during that period.

An examination of the industry of employment – Table 4- shows that migrants returned to broadly similar industrial patterns of employment. About 4% fewer worked in agriculture, and about 6% more in trade, transport and services. More noticeable changes though, occurred in the return migrants' sector of employment, public/private nature of work, before and after migration. Whereas 44% of migrants had worked in public enterprise before migration only 9% did so on return. In contrast, about one third of return migrants joined the private sector having previously not been employed there.

The proportion of employers rose from 10 to 19% between the pre-migration and post-return periods – Table 4. This increase arises largely because a 10% of those who were waged workers prior to migration (waged workers comprise 62% of our sample prior to migration) became employers – a remarkable transformation. This is an important aspect of the behaviour of return migrants, which will be explored in more detail in the next section.

Table 5 shows that working overseas has had an impact on the occupation of returnees. First, examining overseas occupations of migrants show that although almost half of the migrants

were engaged in production whilst overseas, 21% were in technical and scientific occupations. However, comparing the migrants' occupations prior and post migration reveal that the proportion of returnees involved in clerical, sales and services jobs have increased, while those in agriculture and production have fallen. More importantly, the share of migrants engaged in technical, scientific and management occupations have risen on return suggesting that working overseas may enable migrants to acquire new skills or enhance their human capital.

Uses of savings by migrants and their families have received a lot of attention in the literature. In our sample, and similar to many other studies- see for example, Adams (1991) - a large proportion of returnees invested in housing. Half of all rural-origin returnees, and 42% of urban-origin returnees, invested in housing. One third of all returnees report not having any savings: 36% of rural-origin and 30% of urban-origin returnees were unable to make any savings at all. However, what is of interest to us, in this paper, is that 10% of returnees used their savings to invest in economic projects as shown in Table 6. In the next section, we examine to what extent do savings affect the probability of a returnee becoming an entrepreneur.

Our second interest is in the effect of overseas work experience. There are three possibilities why overseas work experience is important. First, work experience conveys skills that are useful on return to the origin country. Secondly, living overseas conveys ideas, experience with a more advanced commercial environment. Third, the correlation may reflect an unobserved characteristic: for example, those who work longer overseas may be more talented- securing offers of extended work- and thus be more able to profit from entrepreneurial activity on return. To check that there exists an economic line of causation we have explored data which ask the following question: Have you benefited from your overseas work experience upon your return?

If there is a link between duration overseas and domestic productivity then the proportion answering the question positively should increase with duration spent overseas. This we find is confirmed in the data: of those overseas for up to one year, 24% answered "yes"; of those overseas 1-3 years, 41% answered "yes"; of those overseas for longer, 59% answered "yes". Thus there would appear support for the idea that longer work-spells overseas raise the likelihood that overseas skills will be useful on return.

In addition, we also find that educated migrants tend to benefit more than the uneducated from their overseas work experience. Almost 53% of the educated returnees have found the skills they acquired abroad to be beneficial to their current job upon return, compared to 33% of the less educated and 22% of the illiterates. Hence, overseas work experience seems to provide an opportunity for human capital enhancement especially for the educated.

4. Entrepreneurship amongst the Returnees

In this section, the focus is on returnees who have become entrepreneurs, where this group is comprised of employers and self-employed and those who used their savings in economic projects. Table 7 gives an overview of the contrasting characteristics of those return migrants who undertook entrepreneurial work and those returnees who did not after returning to Egypt. The entrepreneurs are on average four years older and more likely to be married than the non-entrepreneurs. The entrepreneurs are slightly less likely to be urban rather than rural in both their origin and destination region whereas the non-entrepreneurs are overwhelmingly urban in both background and region of return. Whereas about 12% of the entrepreneurs were university graduates, a considerable proportion were illiterate – 41%. On the whole, the non-entrepreneurs were more educated than the entrepreneurs, suggesting that migration and working overseas is particularly useful for the less educated who might be more credit constrained. The entrepreneurs had also on average spent longer spells overseas of 3.0 years relative to a mean of 2.4 years for the non-entrepreneurs. Skills acquired overseas were judged to be equally beneficial by both groups of returnees. Overseas *average* monthly savings amongst entrepreneurs was higher than non-entrepreneurs. Given also that entrepreneurs spent slightly longer abroad, their total savings were higher than non-entrepreneurs.

Our main concern in this section is to find out whether savings and time overseas play any role in the probability of a returnee becoming an entrepreneur. We have two primary hypotheses. First, that individuals who have made higher total savings whilst overseas are more likely to become entrepreneurs on return since for them the opportunity costs of capital is less than for those who either must borrow in local capital markets or are liquidity constrained. Secondly, we conjecture that the length of time spent overseas will influence whether the returnee becomes an

entrepreneur because the longer an individual spends overseas, total savings held constant, the greater the relevant work experience and opportunity for skill acquisition.

We control for individual characteristics (gender, age and education), location of residence (urban/rural), duration back from overseas and sector of employment prior to migration. Then, we estimate the probability of becoming an entrepreneur amongst returnees. The results show that both total overseas savings and time spent overseas have positive and highly significant effects on being an entrepreneur. Table 7 displays the predicted probability of a representative returnee (male, 39 years old, urban worker) becoming an entrepreneur using different levels of total savings and overseas durations. A returnee who spends one year overseas and saves just £E 6000 has got a 27% probability of becoming an entrepreneur, and staying 2 years overseas and saving £E 10000 increases this probability by 5% to 32%. The probability of a returnee becoming an entrepreneur is estimated to be 36% if a migrant stays 3 years overseas and saves £E 30000. Thus, the empirical evidence indicates that the more savings a migrant accumulates the higher is his probability of becoming entrepreneur on return. In addition, if we hold savings constant, the longer a migrant works overseas, the higher is his probability of becoming an entrepreneur after return. This suggests that learning overseas may matter for explaining entrepreneurship and that the influence of overseas work arises from channels other than the relaxation of a savings constraint. Thus, the empirical findings support our two hypotheses, namely that savings and length of overseas stay have got a positive and significant effect on the probability of a returnee becoming an entrepreneur.

5. The Investment Projects of Returnees

Since there has been a sizeable debate on whether remittances are used for consumption or investment and given the lack of studies on investment projects of migrants and returnees, in this section we focus on this aspect of entrepreneurship, namely the investment behaviour of return migrants. We begin by contrasting characteristics of returnees who invest in projects and businesses, with those who do not. We distinguish between two types of investment: agricultural projects and non-agricultural enterprises. Our focus here is on returnees who are either employers

or self-employed who have either invested in agricultural projects or invested in non-agricultural enterprises, i.e. investors.³

Table 8 presents the characteristics of those return migrants who invested in agricultural projects, those who invested in non-agricultural enterprises and those who did not invest in any project. First, we look at the individual characteristics of investors and non-investors. Returnees who invest in agricultural projects are males, tend to be on average older than the rest of the sample and a big proportion of whom (64%) are illiterates. A significant overall feature of returnees, who invest in non-agricultural enterprises, is that they are broadly drawn from all educational categories. However, they are on average more educated than those investing in agriculture. Also, almost half of the non-agricultural investors reported having benefited from the skills acquired overseas, compared to one third of non-investors and only 19% of agricultural investors. Again, confirming that overseas work experience provide especially the educated with an opportunity for human capital accumulation. In addition, and not surprisingly, the majority of agricultural investors (96%) live in rural areas. However, owners of non-agricultural enterprises tend to be predominantly urban dwellers. Thus, the descriptive statistics suggest an important geographical bias among returnees, which is that rural returnees tend to invest in agricultural projects, while urban returnees invest in non-agricultural enterprises.

Secondly, we examine the role of savings. Returnees who become investors have on average saved three times as much as those who haven't invested on return. However, even among investors there is a huge difference between the average total savings of agricultural and non-agricultural migrants which is not surprising given that the agricultural investors are typically rural and uneducated workers whose wages are lower and length of overseas stay is shorter than the urban migrants. The average overseas total savings of returnees who invest in agricultural project is the lowest among *all* returnees. However, the importance of total savings is much greater for those returnees who invested in non-agricultural enterprises. Thirdly, the average length of overseas stay vary among returnees with the lowest spell for agricultural migrants, while those who invested in

³ We only study those two types of activities. Thus, those who have invested in an entrepreneurial activity, but have no fixed location for their establishments (for example, street vendors, construction workers...etc.) are not considered.

non-agricultural enterprises have on average spent longer spells overseas of 4.3 years relative to a mean figure 2.4 years, of the non-investor returnees.

We control for the individual and demographic characteristics of returnees and we estimate the determinants of the probability of a returnee becoming a non-agricultural investor. The empirical evidence suggests that the probability of a returnee becoming a non-agricultural investor is around 15% for a male urban returnee. We also find that both savings and the length of overseas employment matter for investment as is the case with entrepreneurship.

6. The Impact of Return Migration on the Structure of Enterprises

Our main aim in this paper is to shed some light on the potential gains from overseas work for returnees. In the two previous sections, the empirical evidence suggests that overseas work plays an important role in entrepreneurship and investment through two different channels: overcoming the credit constraint and the accumulation of human capital. However, what is also needed is to compare the projects of returnees and non-migrants, and to explore whether returnees' projects are any different from those of stayers. In other words, does overseas work experience have any significant impact on the returnees' projects? So, we contrast the characteristics of small enterprises owned by return migrants with enterprises not owned by returnees. Unlike the previous sections, we do not limit our analysis to return migrants. We study owners (employers and self-employed) of non-agricultural small enterprises. We use a nationally representative sample of 1220 owners of enterprises conducted at the household level from the 1988 LFSS supplementary module on the economic unit. This module samples private family owned non-agricultural establishments; i.e. small enterprises.⁴ Since the survey is household based, we have information on both regulated/registered and unregulated/unregistered enterprises. Thus we are able to study firms operating within the informal sector.

⁴ Those enterprises are small in the sense that that they are non-corporate and family owned. There is no restriction in sampling based on firm size, though the mean number of employees is less than 5 workers in around 85% of enterprises.

Table 9 displays the characteristics of the owners and their enterprises, distinguishing between return migrants and non-migrants. Our sample is made of 1220 non-agricultural small enterprises where 149 units are owned by return migrants; i.e. around 12% of enterprises are owned by returnees. First, we discuss the *characteristics of the owners*, then those of the *firms*. Returnees seem to be on average three years younger than non-migrant owners and mostly male. In addition, returnees tend to be more educated - 22% compared to 13% among non-migrants. Although 70% of non-migrants and 73% of returnees are urban dwellers, the proportion of returnees living in Greater Cairo is quite higher than that of non-migrants- 40% compared to 31%.

We now examine the characteristics of small enterprises owned by returnees and stayers- Table 10. First, considering the location of firms, a significant difference is that returnees tend to locate almost half of their firms (47%) in Greater Cairo compared to a third (32%) by non-migrants. Secondly, it seems that there are differences in the industry or activity of both groups. The share of returnees' enterprises engaged in services activities is twice that of stayers. On the other hand, non-migrants' enterprises tend to be concentrated in trade activities. The proportion of returnees' enterprises in manufacturing is about the same as that of non-migrants: 28% compared to 26%.

A significant difference between returnees' and non-migrants' firms is the higher average estimated value of capital invested (in 1988 prices) by returnees.⁵ The average for returnees' firms is *LE* 11,124, while that for stayers is only *LE* 8,638. It is worth noting that around 2% of returnees and 1 % of the stayers report zero as the estimated value of capital invested at the time of survey. Another apparent difference at returnees' firms is the higher average number of employees. Returnees create on average 1.5 more jobs per establishment than do stayers. Overall, return migrants are responsible for 15% of the capital invested in small enterprises and 15% of the associated employment generation.

Table 10 also suggests that the majority of enterprises are small scale with less than 5 employees- 86% of returnees' and 85% of stayers'. However, the proportion of returnees who are

⁵ Individuals are asked about the current estimated value of the capital invested in the enterprise at the time of the survey in 1988.

not sole owners is 5% less than stayers; i.e. returnees tend to be more likely to invest in partnership, or have joint investment. It not surprising that on average the firms established by returnees, are more recent, although 31% of the returnees firms are established prior to emigration. In addition, to being interested in the geographical location of firms and jobs created, it is important to examine: (i) the nature of these firms whether they are operating as formal establishment and paying taxes thus raising government revenue or not and (ii) the nature of these jobs and whether they are “good” jobs or not. First, our sample suggests that around three-quarters of returnees’ firms (76%) have tax files, i.e. pay taxes, while only 67% do among non-migrants. Also, 80% of returnees’ firms have a licence or registration, compared to 74% of stayers’ enterprises. Secondly, it seems that returnees are as likely to employ “informal” workers who do not contribute to social security as non-migrants. However, returnees are more likely to provide ‘good’ jobs by paying their employees while on leave/holidays

We now examine whether return migrants’ enterprises have significantly different characteristics. We do so by testing the following hypotheses:

1. *Location of enterprises*: There is a concern that international migrants develop a taste for either "big-city" life or the facilities of urban areas, and hence might locate their enterprises in more dense urban areas, especially in "big-cities", than in their origin. Thus, we test whether firms belonging to return migrants are more likely to be located in Greater Cairo.
2. *Formality*: Another hypothesis concerning the impact of return migration on the characteristics of enterprises is that return migrants are more likely to invest in formal enterprises (pay taxes and have a licence/registration) compared to non-migrants. Being overseas for a period might reduce the local knowledge, or the social capital, needed to be able to be successfully involved in an informal enterprise e.g. one with no licence.
3. *Quality of Jobs*: International migration to a higher wage country may provide the migrants with an environment in which there is higher proportion of higher quality jobs. Hence, we test whether return migrants create good jobs (e.g. jobs that offer paid leave).

4. *Activity/Industry*: Given that our sample of Egyptian returnees have been migrants, primarily to Middle Eastern countries: Saudi Arabia, Jordan, Iraq, Kuwait and Libya, and not to highly industrialised countries, one would expect that the skills and information acquired by emigrants would be more useful in services than in manufacturing. Thus, we test whether firms owned by returnees tend to be in services.
5. *Number of Jobs*: Recent studies find that a big proportion of migrants that participate in the labour market after return are self-employed.⁶ However, it is important to examine whether return migrants create jobs and generate employment opportunities for others as well. Hence, we test whether enterprises owned by return migrants create as many jobs as other enterprises.
6. *Value of capital invested*: Banerjee and Newman (1993) show that only the wealthiest workers can invest in developing countries with credit market rationing. Credit market imperfections prevent low-income individuals from undertaking profitable investments. On the other hand, overseas savings allow the emigrant to be less credit constrained. Thus, we study whether given access to credit, returnees are more likely to invest *more* capital than non-migrants.

Our interest here is whether firms belonging to return migrants, controlling⁷ for the owner's individual characteristics, such as gender, age, education and urban/rural residence, are more likely to: (i) be located in Greater Cairo; (ii) be formal sector firm; (iii) create "good jobs"; (iv) be in manufacturing; (v) to be in services. In a similar framework we test the remaining two hypotheses: whether a returnee's firm has (v) an impact on the number of jobs created; and (vi) has a positive impact on the value of capital invested.

First, our empirical findings support a positive and significant relationship between the location of enterprise and return migration- Fig 1. Being a returnee owner, compared to being a non-migrant, increases the probability that an enterprise is located in Greater Cairo by almost 36%. Thus, there is strong evidence that return migrants favour the big city location for their enterprise investment. However, return migration does not have an impact on the formality status of the

⁶ For example, Ilahi (1999), Dustmann and Kirchkamp (2002) and Mesnard (2000).

⁷ However, we do not control for other characteristics of the enterprise, as they are potentially endogenous.

enterprise: that impact is insignificant. In other words, returnees are as likely as stayers to establish formal sector firms. We have tried several definitions of formality. The one reported here in Fig 1 refers to having a tax file. We have also used having a licence or registration, but have found similar results. Fig 1 also shows that enterprises owned by return migrants increases the likelihood by almost 30% that jobs created are “good jobs”. Although, return migrants are more likely than non-migrants, by almost 16%, to invest in enterprises engaged in manufacturing, this relationship is not statistically significant. On the other hand, there is a strong and positive relationship between being a return owner of an enterprise and that enterprise being engaged in services.

Another important impact of return migration is on employment generation. An enterprise belonging to a return migrant is associated with 19% more jobs. Although we find a positive relationship, it is statistically insignificant. However, this provides evidence that returnees are not less likely than stayers to generate jobs. Finally, we find that return migration has a positive significant influence on the value of capital invested. Not surprising and supporting the hypothesis that overseas migration plays a critical role in relieving the credit constraint, the findings indicate that the value of capital invested is L£1417 - 17% - more if the enterprise is owned by return migrant.

7. Conclusion

This paper sheds light on the potential impact of return international migration on investment and entrepreneurship. Using Egyptian evidence, the findings suggest how overseas migration, for even comparatively short spells, facilitates the accumulation of financial capital on a scale not otherwise possible, and the accumulation of new useful skills, that increase enterprise investment on return. In addition, the paper explores the impact of overseas work experience by comparing the characteristics of the businesses of return migrants and non-migrants. The empirical results suggest that return migration has a positive significant influence on the value of capital invested. In addition, return migrants are more likely than non-migrants to create good jobs. They are as likely to establish formal businesses. In addition, we do not find evidence that businesses of return migrants generate less employment than businesses of stayers. Overall, this paper suggests

that overseas work experience have a positive impact on the economic development of the origin country and that return migration is a potential gain that has not been fully utilised.

This paper has several important policy implications. First, it seems crucial to provide support to returnees to establish businesses. In most cases, those enterprises are small or micro enterprises and thus might not be noticed. Secondly, it is important to provide information to returnees on potential investment projects that would benefit from their investment. Finally, and more importantly, the migration process should be seen as a vehicle for development for both importing and exporting countries. Labour importing countries need labour for their developmental plans. Arab exporting countries benefit by exporting their workers for just short periods of time 1-3 years. Returnees come back to their country of origin, invest and generate employment for themselves and others. What is really needed is a migration policy that would enable such a process to take place. Bilateral agreements between Arab exporting and importing countries are needed to facilitate and support both migration and return migration.

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Table 1: Outflows and Stocks Abroad of Employed Egyptian Nationals (in thousands)

	Outflow	Nationals abroad	Employed Egyptians by Country				
			Saudi Arabia	Libya	Jordan	Kuwait	Iraq
1989	1511	1964	420	150	120	180	510
1990	1150	1921	380	210	82	120	150
1991	1103	1541	420	222	160	10	90
1992	1221	1856	520	230	185	28	82
1993	1690	2116	680	240	187	78	75
1994	1732	2324	710	280	180	110	128
1995	1820	2610	820	295	210	180	148
1996	2099	2715	950	300	231	212	200
1997	2181	2901	987	311	248	220	200
1998	1982	2806	966	345	227	201	82
1999	1902	2726	924	333	227	191	66

Source: ILO. International Labour Migration Organisation Data Base (ILM).

Table 2: Overseas Destinations of Egyptian Returnees

	Urban Origin	Rural Origin	Total Sample
<i>Country of destination (%)</i>			
Jordan	3.59	10.41	7.01
Saudi Arabia	34.27	23.46	28.84
Iraq	26.84	49.65	38.28
Kuwait	5.44	1.94	3.68
Libya	11.98	7.44	9.71
Others	17.88	7.10	12.48
<i>Duration of Stay (Mean of years)</i>			
Jordan	2.83	2.29	2.50
Saudi Arabia	3.83	2.67	3.49
Iraq	1.99	1.98	1.98
Kuwait	6.45	3.69	5.75
Libya	4.47	3.81	4.31
Others	3.65	2.53	3.23

Table 3: Characteristics of Return Migrants

	Before Migration	In 1988
<i>Individual Characteristics (in 1988)</i>		
Mean Age (in years)	---	38.84
Male (%)	---	94.32
Heads of Households (%)	---	86.35
<i>Education (%)</i>		
Illiterate	---	29.70
Read & write	---	18.06
Primary	---	9.56
Preparatory	---	20.10
Secondary	---	4.25
University	---	15.40
Higher	---	2.90
<i>Region of Residence (%)</i>		
Greater Cairo	28.40	26.66
Alexandria & Canal Cities	7.60	8.31
Lower Urban	10.00	10.53
Upper Urban	3.86	3.04
Lower Rural	25.54	25.35
Upper Rural	24.54	26.11
URBAN	49.92	48.54
RURAL	50.08	51.46
<i>Industry (%)</i>		
Agriculture	32.61	28.90
Manufacturing & Mining	15.95	13.73
Electricity	0.51	0.88
Construction	11.45	8.06
Trade	7.02	10.28
Transport	6.93	7.93
Finance	0.80	1.02
Services	25.53	28.58
<i>Sector (%)</i>		
Government	25.91	29.32
Public Enterprise	44.49	8.59
Private	28.27	59.39
Other	1.33	2.70
<i>Employment Status (%)</i>		
Waged	62.26	58.70
Employer	10.10	18.51
Self-employed	8.24	9.68
Unpaid family worker	6.21	3.14
Unemployed	2.03	4.92
Unemployed: new entrant to LM	4.79	---
Out of the Labour Force	6.39	4.70

Table 4: Occupation of Return Migrants: Before, During & After Migration

Occupation (%)	Before Migration	Whilst Overseas	In 1988
Technical & Scientific	22.55	20.96	23.07
Management	0.55	0.49	2.32
Clerical	5.07	3.70	7.13
Sales	4.01	4.16	6.72
Services	4.56	8.35	6.69
Agriculture	31.62	13.75	28.27
Production	31.63	48.58	25.80

Table 5: Uses of Savings by Region of Origin¹ (%)

	Urban	Rural	Total Sample
Economic projects	12.54	7.58	10.08
Banks	15.27	3.06	9.13
Investment Companies	3.76	0.96	2.35
Gold & jewellery	3.87	3.07	3.47
Housing	42.06	50.10	46.10
Securities & shares	0.06	0	0.03
Others	8.43	8.23	8.33
No Savings	30.43	35.59	33.00

¹ More than one response is allowed.

Table 6: Characteristics of Returnees' Entrepreneurs

	Entrepreneurs	Non-Entrepreneurs
<i>Individual Characteristics</i>		
Male	98.27	92.12
Mean of Age in 1988	41.4	37.6
Married in 1988	90.04	83.13
<i>Education in 1988</i>		
Illiterate	41.34	21.97
Read & write	23.59	14.58
Primary	11.90	9.47
Preparatory	9.74	24.72
Secondary	1.95	5.78
University & higher	11.47	23.49
<i>Location</i>		
Urban Origin	40.00	62.91
Urban Destination	38.12	63.00
<i>Country of Destination</i>		
Jordan	6.86	7.23
Saudi Arabia	33.49	26.67
Iraq	33.43	39.34
Kuwait	2.82	4.13
Libya	2.12	9.67
Others	11.25	12.96
<i>Years Spent Overseas</i>		
Mean	3.0	2.4
<i>Average Monthly Overseas Savings (LE)</i>		
	783	514
<i>Occupation Overseas</i>		
Technical & Scientific	9.71	30.80
Management	0.69	0.99
Clerical	3.17	6.82
Sales	5.12	2.53
Services	6.78	4.62
Agriculture	21.22	21.45
Production	53.31	32.79
<i>Skills acquired abroad</i>		
Beneficial to current job (%)	34.13	35.02
<i>Sample Size (%)</i>		
	30.3	69.7

Table 7: Probability of Returnee becoming an Entrepreneur

	Probability (%)
<i>Impact of savings and time overseas</i>	
1 year + £E 6000	27.1
2 years + £E 10000	32.0
3 years + £E 30000	36.3

Table 8 : Characteristics of Returnees' Investors

	Project or Enterprise	Agriculture Project	Non-agric. Enterprise	No Project or Enterprise
<i>Individual Characteristics</i>				
Male (%)	99.79	1	99.51	93.04
Age (in years)	42.5	43.6	41.0	38.3
Education: Illiterate	45.81	64.12	21.64	25.26
Less Educated	43.87	34.42	56.35	48.84
High Educated	10.31	1.45	22.01	25.90
Region of Origin: Urban	33.41	4.11	72.08	54.42
<i>Occupation before migration</i>				
Technical & Scientific	7.77	0.6	16.92	29.01
Management	0.34	0.6	0	0.95
Clerical	1.35	0.6	2.31	6.39
Sales	7.43	0.6	16.15	3.05
Services	5.41	0.6	11.54	4.20
Agriculture	54.05	92.17	5.38	21.37
Production	23.65	4.82	47.69	35.03
<i>Employment Characteristics before migration</i>				
Government Sector	7.05	2.48	13.08	26.79
Public Enterprise	48.05	56.12	37.39	36.01
<i>Characteristics of Overseas Stay</i>				
Average Monthly Savings	720	337	1225	529
Average Total Savings	62,344	13,370	126,984	20,047
Months Spent overseas	35.65	23.50	51.58	29.12
<i>Years back</i>				
Less than 2 years	18.78	22.68	13.64	17.71
2 - 5 years ago	44.82	47.76	40.91	47.52
More than 5 years	33.41	29.62	45.45	34.77
Useful Skills acquired abroad	32.65	18.59	49.94	34.84
Pre-migration Establishment	13.35	----	30.96	----
Total: (%)	20.88	11.13	9.75	79.12

Table 9: Characteristics of Owners of Enterprises, in 1988

	Returns	Non-Migrants	Total
<i>Individual Characteristics of Owners</i>			
Mean Age in 1988	40.97	43.56	43.22
Male (%)	99.51	83.92	85.98
<i>Education (%)</i>			
Illiterate	21.64	36.33	34.38
Less Educated	56.35	50.83	51.56
Highly Educated	22.01	12.84	14.05
<i>Region of Residence (%)</i>			
Greater Cairo	40.41	30.58	31.88
Alexandria & Canal Cities	14.48	12.82	13.04
Lower Urban	15.44	20.14	19.52
Upper Urban	2.70	6.84	6.29
Lower Rural	12.59	18.16	17.42
Upper Rural	14.38	11.46	11.84
URBAN	73.03	70.38	70.74
RURAL	26.97	29.62	29.26
Total %	12.2	87.8	100

Table 10: Characteristics of Non-Agriculture Enterprises, in 1988

	Returnees	Non-Migrants	Total
<i>Location (%)</i>			
Greater Cairo	47.29	32.36	34.34
Alexandria & Canal Cities	14.20	12.92	13.08
Lower Urban	16.93	23.52	22.65
Upper Urban	4.03	8.35	7.78
Lower Rural	11.38	15.09	14.60
Upper Rural	6.17	7.76	7.55
URBAN	82.45	77.01	77.73
RURAL	17.55	22.81	22.12
<i>Industry (%)</i>			
Agriculture	1.49	0.92	1.00
Mining & Manufacturing	27.51	26.41	26.56
Construction	4.96	1.54	1.99
Trade	42.11	57.13	55.15
Transport	1.09	0.91	0.94
Finance	4.70	3.80	3.92
Services	18.14	9.17	10.36
<i>Estimated Value of Capital Invested (LE)</i>			
1. None	2.29	0.80	1.00
1. Less than 100	2.57	6.31	5.81
2. 100 – 499	5.58	11.29	10.54
3. 500 – 999	6.27	12.07	11.30
4. 1000-4999	25.29	23.55	23.78
5. 5000-9999	21.71	18.63	19.04
6. more than 10000	35.20	26.12	27.32
Mean Estimated Value of Capital Invested (LE)	11124	8638	8966
<i>Number of Employees</i>			
1. Less than 5	86.36	84.56	84.80
2. 5 - 9	7.34	9.07	8.84
3. 10 - 19	2.49	3.87	3.69
4. 20 - 49	0.99	1.42	1.36
5. 50 or more	1.95	0.14	0.38
Mean number of employees	5.89	4.30	4.51
<i>Ownership</i>			
Sole Owner	70.72	76.39	75.64
<i>Year Established</i>			
Pre 1952	4.02	8.42	7.84
1952-1959	2.29	8.79	7.93
1960- 1969	6.85	16.11	14.88
1970-1979	17.90	26.57	25.43
1980-1988	62.56	38.48	43.81

Table 10 Continued

<i>Pre-migration Establishment</i>	30.96	-----	30.96
<i>Firm has tax file</i>			
Yes	76.24	67.46	68.62
No	15.82	23.38	22.38
<i>Firm has registration/licence</i>			
Yes	80.49	73.78	74.80
No	14.35	16.08	15.85
Not required	4.16	10.02	9.25
<i>Workers contribute to social security</i>			
All	14.75	12.66	12.94
None	32.99	31.98	32.12
<i>Firm pays workers paid leave</i>			
All	18.14	10.53	11.54
Some	6.94	6.10	6.21
None	66.40	72.33	71.55
Total (%)	12.2	87.8	100

Fig1 : Predicted Probability

