



# The Contribution of Circular Migration to Economic Growth in Developing Countries

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*Abstract: In this paper I am especially interested in exploring the impact of circular migration on the developing countries, the benefits and the vulnerabilities brought about by migration in its circular form and the effects it has on the economic growth of the sending countries. The objective of this paper is to explore the underpinnings of circular migration and contribute to a better understanding of the phenomenon as a form of evolved temporary migration. I show both the positive and negative influence of circular migration in the developing economies and I emphasise how new forms of circular migration arise when the proper conditions are met.*

*Keywords: migration theory, circular migration, economic growth, developing economy*

## 1 Introduction

The theory of circular migration that I seek to elaborate here is focused on the emergence of new types of circular migration as a result of labour market interactions between receiving and sending countries. By exploring the new paradigms of migration we find useful connections in the creation of better migration policies. My analysis complements the existent literature on migration economics and in particular the impact of circular migration on the less developed countries.

## 2 Theoretical aspects of circular migration

Circular migration is not a new phenomenon. In the 20th century, as more economies from Asia or Africa started developing, circular migration was the

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<sup>1</sup> According to the International Organization for Migration, circular migration is a „fluid movement of people between areas, usually for the purpose of employment.”

dominant form of international migration, while in the case of Europe and its southern, developing neighbours, of the Mediterranean area, circular migration has only in the past decades become familiar (Fargues, 2008).

But economic shocks, the power of labour unions, political motivations and a general protective stance in the face of rising living standards have come together with more restrictive immigration policies in the Western countries. Circularity almost disappeared from the public discourse, giving way to a bipolar view of either temporary (regulated) or definitive migration.

Only in the past decade, circular migration has been emerging as a self-standing concept. It draws from the lesson of the old paradigm of temporary migration to become a more fluid concept, based on freedom of international movement and better integration of national economies, in an ever increasing globalised world.

A distinction between *circular migration* and *temporary migration* needs to be made, although the two have seldom been used as interchangeable terms. While temporary migration can be a one-time action, circular migration involves more than one step, it is a movement of going back-and-forth between two or more countries and is more linked with freedom of movement and free access to labour markets.

One definition of circular migration is that of “repeated migration experiences involving more than one migration and return” (Wickramasekara, 2011). Another one shows that circular migration is an age-old pattern of mobility, whether rural-urban or cross-border and has been called repeat, rotating, multiple, seasonal, cyclical, shuttling or circuit-based modes of migration (Vertovec, 2007, p.5).

Instead, temporary migration has been used in the past to describe carefully-planned state migration schemes, like the *bracero* programme<sup>2</sup> started in the 1940’s in the US or the *guestworkers scheme* in 1970’s Europe<sup>3</sup>. From a historical perspective, these are now viewed as a form of circular migration (Zimmerman, 2013).

More so, what was believed to be permanent migration, turned out to be much more flexible. In the case of Germany, it was found that more than 60% of migrants from the guest workers countries are in fact repeat migrants. The explanation, as simple as it is, was not seen as such: Having established a base in Germany, they are prone to migrate back and forth (Constant, 2013).

The circularity and frequency of migration are heavily dependent on the incentives to return and the degree of freedom of movement. The more reasons a migrant has

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2 The Bracero program (1942 through 1964) was an agreement between the United States and Mexico that permitted Mexican citizens to take temporary agricultural work in the U.S.

3 The German Gastarbeiterprogramm was the most significant of the European immigration schemes, allowing the country to cope with the severe labour shortage following World War II.

to return to its home country, the stronger the arguments and the less obstacles, the more likely he or she will return.

The main point is that while circular migration is clearly a form of temporary migration, it is at the same time a more comprehensive and complex concept and therefore migration literature is bound to make a clearer distinction between *circular* migration as a term that may include types of *temporary* migration.

## **2.1 Development and circular migration**

In times of ever increasing globalization, labour markets are stretched outside the national confines. Migrants no longer decide to migrate permanently to one place but instead decide to keep all their options available. This means they are ready to move to other countries if economic conditions deteriorate or to return to their home country if conditions there improve in order to allow them to better express their economic potential (Constant, 2013).

Circular migration is also becoming more and more important because of the perceived benefits to all parties involved in migration: sending and receiving countries, third countries and immigrants themselves (Zimmerman, 2013). It is now usual to find in policy documents such characterisations as “triple win”, because of its perceived benefits to all parties involved.

If in the early days researchers of international migration tended to focus on remittances, today most research stresses the importance of global migration flows in the globalised world and the complex links between migration and development (Clemens, 2014).

## **2.2 Types of circular migration**

Circular migration is far from being homogenous in its manifestations. There is one underlying particularity – the movement of back and forth between the origin and receiving country - but the types and shapes it takes are quite various.

From an economic point of view, labour markets in many countries are no longer completely national, because they transformed to a greater or lesser degree into international ones, under the continuous pressures from the globalising forces. In fact, segmentation on such markets produced situations where native workers totally avoid some types of jobs that instead are filled by immigrants (many of them circular) (Hugo, 2003).

In a study of circular migration in the Mediterranean (between Morocco and Italy, Morocco and Spain, Albania and Greece, Albania and Italy) and in Eastern Europe (Ukraine and Poland, Ukraine and Hungary), Triandafyllidou et al. (2013) identify three main types of legal circular migration: seasonal labour migration,

programmed and spontaneous, long-term migrants who start circulate because of unemployment or underemployment, and two semi-legal types: informal workers and informal return of long-term migrants.

Their conclusion is that circular migration is quite different from what is described in official policies and initiatives, mainly for the worst. We can add that categorization of circular migrants could be misleading because the process appears to be much more fluid than expected.

However, it should be pointed out that many other forms of circular migration arise, and they are based on more loose criteria. The purpose of such classification is to show how old barriers are being broken and how emigration patterns from developing countries start to show new characteristics or begin to imitate those who define developed countries.

## **2.3 Different types of circular migration**

### **2.3.1 “Winter-jobs” for farmers**

Ever since Romania joined the European Union, many farmers in the western part of the country have become involved in some type of seasonal migration. After finishing harvesting and selling their crops, in autumn, they take the path to Austria or Germany to fill the so-called “winter jobs”, i.e. to work in factories, shops or less-seasonal agribusinesses, only to come back the next spring, when they start working to prepare their fields.

Farmers supplement their revenue by filling “winter jobs”, which in turn help them increase their living standard but in some cases it might help them build capital to be invested in their farms, therefore having the power to unleash more potential growth than other types of migration revenues. This trend in seasonal migration inside the borders of the EU is worth studying more.

### **2.3.2 Circular migration of elites**

Elites in developing countries, no matter their age and background, also have tendencies to migrate, but only for limited periods of time, and only in certain conditions. In this context, we especially use the term of “elites” to define all those who enjoy a high social status in developing countries and therefore have little or no incentive for permanent migration. They can be professors, entrepreneurs, people of fine-arts, politicians, employees of the public administration etc.

Much different from the large migration forces, they are immigration temporarily with the clear goal to fulfil a certain task, acquire more knowledge and experience, upgrade their skills etc. Their movement is driven by other forces than those pulling and pushing classical economic immigrants.

An explanation can come from the fact that for the elites in developing countries, the cost of losing social status can be higher than the expected monetary gains obtained by working in developed countries. Elites have more incentives to return to their home country and less incentives to stay abroad. Their economic position at home is generally above the average and have greater social status. Often, they go abroad not to directly improve their economic condition but in order to maintain or increase their social status at home.

### **2.3.3 Circular migration of expats**

Expats are most often viewed as high-skilled people from developed countries sent abroad by their corporate employers, working in countries all across the world, bound to return to their home countries sooner rather than later. But as companies go ever more global, outsourcing almost all the production chain, right up to R&D, more and more local high-skilled corporate workers emerge in developing countries too.

Such corporate workers can be assigned tasks all over the globe, in both developed and developing countries. They become “expats” just like their counterparts in the developed countries, moving all across the board, in the grand-scheme of corporate global operations.

### **2.3.4 Circular migration of pensioners**

It may seem odd in view of the classical economic migration theory, but old people can migrate too, for different reasons. Pensioners could also migrate for economic purposes, when there is enough freedom of movement and less strict labour markets.

Pensioners in developing countries are pulled back into the labour market when they have the opportunity to go back and forth into a developed country. Many of them are still able to work and have very low pensions, like those in the Eastern European countries. Because of their low standards of life, they are more likely to be forced to extend their working life and can potentially migrate to supplement their revenue. They have much less desire to stay for extended periods of time and are prone to return to their homes after short periods of time. Such examples are grandparents brought about by the Diasporas in order to look after the children, or to babysit for the children of locals. They can sometime work as companions, cooks, house-cleaners etc. for people in rich countries.

Although their numbers are not substantial, pensioners as migrants can have the potential to fill some low-skilled, less-attractive jobs, that don't involve physical hardship. However, some social benefits come from their interaction with Diasporas, so their impact shouldn't be underestimated and is worth being researched.

### **3 The economic impact of circular migration on developing countries**

All forms of international migration have a certain impact on the origin countries, especially when these are developing ones. Migration in general has been found to hold both positive and negative macroeconomic effects for the country of origin.

When workforce leaves the country, disequilibrium and dysfunctions on the labour market are likely to arise, such as: loss of high qualified labour (brain drain<sup>4</sup>), shortage of workers, wage distortion, more informal economy etc. On the other side, migration greatly decreases unemployment, eases public spending efforts and lessens social tensions. (Roman, 2010)

Circular migration does have a few particular traits that I intend to explore here. If we take on the neoclassical theory, migrants are considered more of financial assets rather than social beings (Castles, 2014, p.28). This has a great implications in the political efforts to manage circular migration according to economic and financial needs.

Conventional economics say that when faced with chronically lack of workforce, enterprises in developed countries stop creating new, low-skilled jobs and find ways to improve their competitiveness either by relocating their productive facilities, by turning to technological improvements or straight forwardly abandoning potential business that is labour-intensive.

More so, certain sectors of economy, like agribusiness or health-services are less flexible and require human workforce in order to flourish. When businesses lack enough of the work-input, go into a state of chronic underperformance and the solution can be attracting international workforce for limited periods of time.

It is only when political consensus is built in receiving countries that we see the emergence of state-sponsored schemes of circular migration. That is to say, when unionised workers agree that some jobs are not going to be filled anytime soon, then governments are free to take action without the risk of political fallout. The recent opening of EU labour market to the Eastern European countries, despite its many problems, is a good example of how supply and demand meet in the modern international labour market.

As to the impact of circular migration, studies show both positive and negative impacts of the sending countries.

For example, a study of circular migration schemes between Canada and Mexico show that migrants invest their earnings in land, business, children's education,

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<sup>4</sup> Brain drain is the departure of educated or professional people from one country, economic sector, or field for another usually for better pay or living conditions (Merriam-Webster)

housing and medical treatment. Their remittances stimulate local economic growth around the villages and towns in Mexico (Vertovec, 2007, p.6).

Another study of Albanian circular migration, characterised by a relative good education standards, concluded that there is a positive impact on aggregate demand via remittances and repatriated savings. But it also found that there is no significant transfer of skills and technology, except for the case when migrants settle back and start up their own businesses (Vadean, 2009).

Other approaches are more critical and show how precarious circular migration can be: “Circular migration involves moderate economic gains for the circular migrant and her/his family. It is mainly a means of survival—a dynamic response aimed at surviving, and improving their living conditions and the future of their children to the extent possible” (Triandafyllidou, 2013)

There are also other risks for the migrants: becoming dependant on a certain relation with employers, being trapped in a closed labour market created by policy regulations or the lack of social integration with its derived problems.

As to the skills they acquire, it is easy to overestimate the impact, to see it as a net positive transfer of knowledge to sending countries, when in fact such skills have a limited impact on the country of origin since the number of circular migrants involved in planned temporary schemes is rather small (European Migration Network, 2011).

## **4 Managing circular migration**

Circular migration is not a managed process, it is in fact “unregulated”, created by the migrants themselves. The very idea of managing this process will turn it into a temporary, regulated, program of migration. However, some concessions need to be made in order to accept that some forms of regulatory actions do exist and are taken by states and institutions with the official goal of improving the conditions of circular migration.

If receiving countries develop policies to facilitate the interaction between migrant workers and their home country, then they have a greater chance of making such migrants circular rather than permanent (Hugo, 2003). To increase skills and opportunity development at home, temporary migration schemes should encourage Diasporas to strengthen the links with their country of origin (European Migration Network, 2011).

At one end there is no circular movement, at other end we see emerging a sort of “shuttle migration” made possible by the free movement across the border, such in the case of the European Union.

On the other side, simply imposing tight restrictive policy measures on labour mobility can have unintended consequences and appear to be counter-productive. Such measures can trigger an increase in family reunification, as in the case of Germany in the 1970's, or more illegal migration, as in the case of U.S. (Constant, 2013).

According to the European Commission, circular migration is a form of migration that is managed in such a way to allow some degree of legal mobility back and forth between countries. In other words, we have a mix between freedom of movement and state planning, embodied by the "mobility partnerships" of the EU. Eight such Mobility Partnerships have been signed so far: Moldova (2008), Cape Verde (2008), Georgia (2009), Armenia (2011), Azerbaijan (2011), Morocco (2013), Tunisia (2014) and Jordan (2014).

Finally, it is worth noted that in the Agenda 2030 for Sustainable Development, signatory countries recognize "the positive contribution of migrants for inclusive growth and sustainable development". They show that "international migration is a multi-dimensional reality of major relevance for the development of countries of origin, transit and destination, which requires coherent and comprehensive responses" and "underline the right of migrants to return to their country of citizenship". Moreover, countries pledge to take action to "facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies" and to "reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors<sup>5</sup> with costs higher than 5 per cent" (United Nations, 2015).

## 5 Conclusions

With the fall of nationalism and the rise of globalisation, borders are no longer impenetrable walls between populations, but conventions ready to be negotiated one way or another. The consequences are dramatic both in the width and the depth of the migration phenomenon.

Because international migration involves such large populations from almost any country of the world, researchers have tried to find patterns that would explain the underlying drive and pull factors. Circular migration is one such pattern and in the last decades it emerged as one of the most relevant because of its size and perceived consequences. But its complexity and fluidity make it hard to classify.

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<sup>5</sup> A remittance corridor is the path connecting a specific pair of countries or a specific pair of cities between which international remittances flow (IMF)



At an individual level, in each decision to migrate lies the seed of return. When favourable conditions arise, the migrant finds his way back home, either for a short time, for a longer period or definitively. Circular movements become the norm in the presence of security and freedom of movement. Spontaneous effects appear in line with the theory of optimum allocation of resources.

At a macroeconomic level, circular migration has both positive and negative impacts on all players. We focused on the impact on the developing countries but we showed that, with time, as conditions change, the scope and objectives also change therefore new forms of migration start to arise.

On the international scene, State actors spend ever increasing energy into finding ways to regulate migration. But such regulation is often badly focused and instead of providing the perceived benefits, it becomes a source of poverty, inequality and exploitation. State interventions are more successful when they aim to break the barriers standing in the way between the migrant and its home country.

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