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# A Brief Literature Review on the Impact of Circular Migration: Brain gain, social capital, and transnational networks on international development

March 21, 2008

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KSC Research Series

**ABSTRACT:** This literature review discusses major concepts relevant to literature on circular migration. It then moves on to examine literature that discusses the impact of social capital and transnational networks on development and society.

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PN-ADM-014

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## Introduction

Research has found that transnational networks and migration contribute to the integration of societies into the global economy via the interconnectedness of donations, small and large investments, trade, tourism, and unilateral transfers.<sup>1</sup> Broader themes of research on migration and migration networks focus on topics including brain gain/drain, gender, social capital within professional diasporas, return or circular migration, and home town associations (HTAs).<sup>2</sup> Such concepts at times overlap and are not necessarily exclusive of one another. The following paragraphs provide a brief review of these concepts.

**Brain gain** (also called brain circulation or skill circulation) generally denotes expatriates returning from abroad with highly skilled technical or intellectual expertise, which creates a positive outcome because they often bring back skills and/or norms.<sup>3</sup> Circular or return migration may be defined as a social unit (person) who undertakes a social destination through a set of arrangements, which returns it to the origin after a well-defined interval.<sup>4</sup> Brain gain usually has a positive connotation in the literature because migrants can potentially bring back skills and/or norms and implement them in their home society.<sup>5</sup>

Meanwhile, brain drain is the loss, or “drain,” of highly skilled technical and intellectual labor from one location to another, which is perceived to be more economically, professionally, and/or geographically favorable.<sup>6</sup> Such a loss is detrimental to developing economies because the loss of skilled labor slows specialization and growth.<sup>7</sup>

**Social capital** has been popularly generalized as a concept by Robert Putnam. It underpins the formation of **transnational networks** that link members of the migrant diaspora to each other and to sending communities. Social capital relies on norms of trust, reciprocity, and a shared sense of rule-bound behaviour between the people within them. Transnational networks reflect and embody the trust and interaction inherent in social capital on a greater scale. Through the mechanism of transnational networks, multiple localizations of civil society become global, as parts of global circuits and transboundary networks.<sup>8</sup> At the same time, transnational networks bring the global resources to sending communities.

Finally, home town associations (HTAs) illustrate the evolving relationship between development and migration, representing bonds that can exist between

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<sup>1</sup> (Orozco and Lapointe 2004, 1)

<sup>2</sup> (Lowell and Gerova 2004)

<sup>3</sup> (Stark, Helmenstein and Prskawetz 1997)

<sup>4</sup> (Tilly 1976, 9)

<sup>5</sup> (Stark, Helmenstein and Prskawetz 1997)

<sup>6</sup> (Grubel and Scott 1966)

<sup>7</sup> (Johnson 1967)

<sup>8</sup> (Sassen 2002, 217)

migrants and their point of origin.<sup>9</sup> HTAs have relatively stable life cycles and can maintain a core of active members who are able to draw in hundreds of other migrants.<sup>10</sup> The literature suggests that remittance funds from diaspora have successfully set up financial infrastructures and environments with a flow of ideas, money, and political support from the host to the home countries.

## Examples of Brain Gain

Research by Rhoades (1978) is an early exploration of brain gain. He describes Spanish workers who returned from Northern Europe during the 1960s and early 1970s. His work is generally pessimistic about the gains of reverse migration. He looks at three groups of rural Andalusians: those young and single, those young and married, and those older and married. Only the third group in the study benefited the home area, typically returning home to invest in property, small businesses, or land.<sup>11</sup> Culturally, the wealthy returnees (“*alemanes*”<sup>12</sup>) were at times isolated due to jealousy or even hatred. Rhoades’s case provides an example of the social difficulty of re-assimilation into the home country after returning from abroad.<sup>13</sup>

According to Rhoades, the benefits of brain gain in the Andalusian instance were limited because the returnees often squandered their foreign earnings on ostentatious items and goods which were not practical for an area with little infrastructure, i.e., dishwashers where there is little or no functional plumbing. The money spent in the home country was more status-tinged than economic, and led to little developmental potential.<sup>14</sup>

A more recent study examining brain gain by Groizard and Llull (2006) is more optimistic. They indicate that migration to an economy with higher wages raises the expected return of education for those left behind, therefore generating an incentive for an individual to invest in education. Under the right conditions, the investment in education might compensate for the initial reduction in human capital stock.<sup>15</sup> Other authors in the literature, however, use a more network-centric approach to explain brain gain than Groizard and Llull.

De Meyer (2001) uses the concepts of brain gain and brain drain in his study of highly skilled expatriate networks. He suggests that actors and intermediaries are part of an expanded version of the network already in place, while traditional kinship ties are part of a more systemic associative dynamic. De Meyer draws the conclusion that this network can change a brain drain into a brain gain.

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<sup>9</sup> (Orozco and Welle 2005)

<sup>10</sup> (Orozco and Lapointe 2004)

<sup>11</sup> (Rhoades 1978, 144)

<sup>12</sup> In this context, *alemanes* refers to migrants returning from Germany.

<sup>13</sup> (Rhoades 1978, 140)

<sup>14</sup> Some of the migrant workers did not learn a skill or craft of any value in the long term; leading to eventual bankruptcy and a need for re-migration abroad for more money (Rhoades 1978, 144).

<sup>15</sup> Groizard and Llull (2006) attribute contributions to this line of thought from Mountford (1997), Stark *et al.* (1997, 1998), Vidal (1998), Beine *et al.* (2001), Stark and Wang (2002) and Stark (2004).

International networks can open perspectives of how to understand and manage the circulation of global skills, which in turn becomes a valuable tool for development in the home country.

Studies of brain gain also focus on regional instances or comparisons of several countries. Saxenian (2005) provides an optimistic study of emigration in Asia by considering two of the largest populations and growing economies: China and India. She examines how Chinese- and Indian-born engineers accelerated the development of information technology industries in their home countries. These U.S.-educated engineers and entrepreneurs make use of lower transaction costs associated with digitization, consequently transferring institutional and technical knowledge and techniques to China and India.

Africa is also a popular continent of study in brain gain literature, due to its large number of underdeveloped economies and large proportion of migrants who leave to work abroad (particularly in the medical field). Black *et al.* (2003) present the idea that migration and return in Ghana could provide a mechanism for the development of small enterprises, particularly among poorer and less-skilled migrants.

Ammassari (2004) discusses the impact of highly skilled return migrants in Côte d'Ivoire and Ghana. He shows that return migrants have an impact on the workplace upon their return. The return migrants cause changes to the workplace environment which come as a result of innovative practices and productive investments by the migrants.<sup>16</sup>

### ***Circular migration in gender roles***

Some circular migration literature explicitly discusses changes that return migration can have on gender roles. Ellis (1996) makes a point that migration itself may affect gender relations between women and men, regardless of whether they migrate or stay at home. He continues to explain that men and women are exposed to new socio-economic and cultural forces which restructure or moderate the established patriarchal system. Reasons for migration and remigration can also influence societal change from a gender perspective, either positively or negatively.

Sakka *et al.* (1999) looks at changes in social gender roles within return migrant families as a consequence of changing socio-economic environments. The study compared households of returned migrants and non-migrants in villages throughout the Greek district of Drama. The study illustrates that task-sharing roles related to household organization differed between migrants (after they returned from Germany) and non-migrants.<sup>17</sup> The results of this study suggest that migrant husbands and wives can either take on new patterns of behavior or maintain traditional roles. Any behavioral changes of the migrants depend on

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<sup>16</sup> (Ammassari 2004)

<sup>17</sup> (Sakka *et al.*1999)

whether the new behavior matched the financial aims of the family or could be integrated to the home country upon return.<sup>18</sup>

Oladeinde (2006) also discusses the voluntary return of skilled female migrants (temporarily or permanently), which bring experiences and skills learned abroad back to the home country.<sup>19</sup> She writes that when women migrate to another country, they often adopt new roles, such as head of the family. These women also gain new ideas and assimilate new behaviors and social rules that are transferred to their home countries.<sup>20</sup>

Wille and Passel (2001) discuss the social implications of Asian migrant women who have worked abroad (leaving families and spouses behind), and their subsequent return. In some cases but not all, husbands help with housework and children while the women are abroad. The research shows that while some women started their own business or reintegrated themselves into agricultural or service work, some of the other returning women found reintegration to the home country's economy, culture, or their family to be so difficult that they chose to emigrate again.<sup>21</sup>

Finally, although gender articles on circular migration typically focus on gender relationships between women and men, some articles also discuss gender roles and relationships in regard to lesbian, gay, bi, and transsexual communities. Tamango (2005), for instance, describes a difference in societal perception of returning migrant transsexuals and homosexuals from Peru. After returning from a long period of work in prostitution in Milan, attitudes in Peru towards transsexuals changed. Tamango writes that many of the returnees stated that they are seen as returned successful international workers that have sent important remittances to their families.

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<sup>18</sup> (Sakka *et al.* 1999)

<sup>19</sup> (Oladeinde 2006, 112)

<sup>20</sup> (Oladeinde 2006, 112)

<sup>21</sup> One conclusion by Wille and Passel (2001) was that Thai, Filipina, and Chinese women in particular have more self-confidence and independence after they returned.

# The Impact of Social Capital and Transnational Networks on Development and Society

The previous section of this literature review focuses on components of transnational migration networks on development of several societies, such as gender and brain gain. This section highlights literature which focuses on the impact of social capital and transnational networks on international development and society. It is divided up by USAID geographical regions, looking first at Africa, then the Middle East and North Africa, Europe, and Latin America and the Caribbean. It ends with a multi-national example of transnational networks.

## **Africa**

### **Senegal**

One group of researchers highlight the efforts of individual states in harnessing a diaspora and encouraging its return. Diatta and Mbow (2003) showcase Senegal as an African state attempting to make use of the resource of circular migration in their national development. Dakar works with multi- and bilateral international aid agencies and other states (such as Italy and France) to facilitate job training and education for Senegalese emigrants abroad. Training works are coordinated via associations, emigrant networks, village groups, and youth and women's organizations at home and abroad.<sup>22</sup> Diatta and Mbow also describe the MAESE program (Support Programme for Migrant Benefits) for returnees, which includes tax benefits, training upon return, and start-up funds to encourage projects (particularly for highly skilled workers).

### **Ghana**

Social practices are often examined as a dependent variable in the study of migration/circular migration. Mazzucato *et al.* (2006) ask how the ritual of funerals is affected by transnational networks, and provide a Ghanaian example of cultural change engendered by multiregional social practices. Particularly, they explore how Ghanaian funeral practices are modified in various ways to accommodate transnational elements.

Funerals are becoming multi-sited events as migrants play key roles in the organization, financing, and practice of funeral ceremonies in their home countries. At the same time, funerals continue to act, (even in a transnational context) as occasions for reaffirming ties and a sense of belonging to home communities, both rural and urban.<sup>23</sup> Funerals consequently give rise to flows of money, goods and people across national borders, ultimately having an economic effect around the world.

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<sup>22</sup> (Diatta and Mbow 1999, 251)

<sup>23</sup> (Mazzucato *et al.* 2006)

## ***Middle East and Africa***

### **Egypt**

Just as studies on the impact of circular migration on development often look at one or two countries within a region, scholars in the field of social capital and transnational networks often do the same. Wahba (2003) broadly defines social capital as trust from social contacts leading to civic participation. He examines the impact that transnational migrant workers from Egypt have on entrepreneurship, including the type of investments they make when they return home from labor-importing countries such as Libya, Iraq, and Saudi Arabia.

Using survey data, Wahba (2003) finds that the longer a migrant worker stays abroad, the more probable that the returning migrant will start a business.<sup>24</sup> Migrant returnees also save three times as much; therefore, tending to have more money to invest in local business than non-returnees, tending to hire more workers, and are more likely to pay taxes than non-returnee business owners. Wahba concludes that returnees are more likely to establish service-based firms in Cairo or another large urban area than in rural areas.<sup>25</sup>

### **Morocco**

Gentileschi and Pisano (2006) pinpoint the role that job networking has in boosting the tourist industry in the Mediterranean region. They explain that Sardinian and Moroccan migrants, who arrive in Italy and France, often work in the service sector in hotels and restaurants. In doing so, the migrants go through an informal apprenticeship which can include specific qualifications, such as language training, food preparation certificates, and other licenses.<sup>26</sup> This apprenticeship becomes a form of “enterprise training” and the first step in leading to a productive return migration policy between states in Europe and North Africa.

A key aspect of their model is family solidarity between the return migrants who often visit home to build local investments through their earnings (remittances). Gentileschi and Pisano (2006) describe a “synergy” between what migrants have learned abroad and what they know is needed at home. Social capital binds and reinforces the knowledge and skills gained abroad—a combination that leads to developing often isolated areas in the mountains of Morocco and smaller Italian islands into attractive tourist destinations. The authors conclude that the return migrant’s training and education combine with family and business ties to spread the wealth across the Mediterranean.

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<sup>24</sup> (Wahba 2003, 5)

<sup>25</sup> Putnam’s notion of capital in this instance is a returning migrant worker who benefits from overseas training and networking and establishes his own local firm, thus becoming a pillar of the community and net contributor by hiring employees and building local and even national institutions through paying taxes.

<sup>26</sup> (Gentileschi and Pisano 2006, 258)

## ***Europe and Eurasia***

### **Poland**

Network perspectives look at the importance of both formal and informal institutions in driving market growth. Klagge *et al.* (2007) build a theoretical framework that asks why highly skilled and educated workers return to Poland. The authors point out that Poland has historically been a labor exporter. When the European integration movement started in the 1990s, Poles returned from abroad when German proximity and the expanding European Union (EU) market created new opportunities for knowledge-based workers in information technology (IT), government, education, and manufacturing. The authors emphasize that the mobility of knowledge workers is affected by economic incentives, structures/institutions, and social groups.<sup>27</sup>

Klagge *et al.* (2007) conclude the “brain re-gain” in Poland is in large part driven by knowledge networks (i.e., ties already in the region). Returning workers further provide “pipelines” to firms, institutions, and key actors abroad, expanding the scope for beneficial external relationships in the receiving regions.<sup>28</sup> Social capital (networks and contacts) combine with human capital (knowledge) which form durable social relationships, filling “transnational social spaces.”<sup>29</sup> As a result, returning workers are more likely to move to large cities where knowledge-based development and local resources are higher than in the sparsely populated and under-skilled countryside. Personal economic incentives, proximity, and sentimental wishes to return to the home country create the motivation for return migration.<sup>30</sup>

Using a similar theoretical lens as Klagge *et al.*, Iara (2006) investigates the wages of a much larger group of survey respondents, using 2003 Youth Eurobarometer data from roughly 3,400 individuals in twelve countries. She deduces that “movers” differ from “stayers.” Using a complex series of statistical models, she finds that return workers earn about a third more in salary, taking into consideration factors such as job type, education level, and place of residence.<sup>31</sup> She comes to a similar conclusion as Klagge *et al.*: higher education increases a return migrant’s salary and influences their job types.<sup>32</sup>

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<sup>27</sup> (Klagge *et al.* 2007, 4)

<sup>28</sup> (*Ibid.*, 5)

<sup>29</sup> (*Ibid.*, 6)

<sup>30</sup> (*Ibid.*, 22)

<sup>31</sup> (Iara 2006, 21)

<sup>32</sup> Sub-regional variations exist among incomes, with Malta, Slovenia, and Cyprus having the highest levels, and Balkan Bulgaria and Romania the lowest. Iara (2006) concludes that the increased earnings capability of those with work-related experience in Western Europe is stable across all countries and there is strong evidence of substantial skills transmission via international labor mobility.

## **Asia**

### **Thailand**

Re-migration to a home country is one aspect of transnational networks, but social capital can also have an effect on rural-to-urban migration. Garip (2007) studies what he calls the relational account of migration, remittances, and inequality in Thailand over the years 1984-2000. He asks how social capital influences rural-to-urban migration, and proposes a framework that disaggregates social capital into resources (information about, or assistance with, migration), sources (prior migrants), and recipients (potential migrants). The results show that the probability of urban migration increases with the amount of available resources, yet the magnitude of increase depends on the diversity and accessibility of resources, as well as recipients' characteristics and the strength of their ties to the resources.<sup>33</sup> This rural-to-urban migration framework can also serve as a model in transnational contexts.

On the other hand, returning migrants can act as innovators and agents of economic development when they return to the countryside. They promote diversification, create both information and market linkages, and supply capital for enterprises which can move workers off of the farms and into rural towns. Importantly, returning migrants can tap into networks, managerial experience, and knowledge of production processes they previously picked up in the city. These networks are comprised of social capital in the form of contacts and know-how and are transregional rather than transnational, but they still serve the same communicative role.<sup>34</sup> Garip indicates that social capital via migrant workers can also drive development through increasing flows of money, levelling rural inequalities, changing rural spending patterns, and modernizing agricultural practices, family relationships, the position of women, and the interactions between villagers and officials.

### **China**

Similarly, Wang and Fan (2006) focus on how return rural migrants fare when moving to an urban environment in their study of two Chinese provinces. They argue that “success returnees” (those that found steady work and training and social acceptance while away) were much more likely to establish their own businesses and engage in viable trades than “failure returnees” who could not adapt. Those returnees with family ties in the city did better economically when they returned home than other “failure returnees” but not as well as “success returnees.”<sup>35</sup> In this instance, social capital in an urban center appears to be a more important factor for entrepreneurial skills when returning home than just having a familial network.

Ma (2001) is optimistic about the benefits of migration in instilling an entrepreneurial spirit on returnees to the countryside. Using a statistical study of

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<sup>33</sup> (Garip 2007)

<sup>34</sup> (Murphy 2002)

<sup>35</sup> (Wang and Fan 2006, 955)

survey data from 2,000 respondents in thirteen rural Chinese counties, Ma determines that return migrants that have higher educations, work in the cities for a longer period, and improve their job skills further, are more likely to advance from agriculture industries to service industries and operate as gainers of human capital.<sup>36</sup> According to Ma, the migrants who are the most successful typically rely on social networks of friends, co-workers and relatives called *guanxi* (networks which provide credit, information and technologies). Ma goes on to advocate a more formalized system of supporting educated young people (especially women) participating in temporary urban work programs. Ideally, such a formalized system would continue the process of transferring income, skills, experience, information, and values to rural areas after their return.

In a subsequent piece, Ma (2002) focuses specifically on the role of social capital using several hypotheses which measure education and the importance of networking. He determines that social capital can reduce capital constraints and lack of information in poor, rural areas.<sup>37</sup> He argues that returnees who work and train in the city for a longer time period, and therefore make more social linkages, can eventually boost their general skills, specialized skills, and commercial or service experience, which can lead to higher-skilled positions and higher income when they return home.

These returnees often establish rural enterprises or work in road transportation, specialized farming, and other self-employment instead of traditional food production positions.<sup>38</sup> Ma comments that because isolated areas require additional efforts to raise money than more populated areas, strong social capital between actors is even more necessary and more often utilized. Travel, work, skills, and contacts make development and wealth creation much more likely, not only in China, but also in other regions.

### ***Latin America and the Caribbean***

The Americas, like Asia, have seen a very large movement of people over the past century. Thomas-Hope (1985) uses a similar approach to Ma in her study of the Caribbean. She sees return flows of circular migration as a major potential resource in Caribbean societies because migrants provide not only the flows of goods and capital but also ideas, attitudes, and skills of the migrants. Thomas-Hope's model shows how social capital might be transferred across national boundaries.<sup>39</sup>

She also points out the negative externalities of reverse migration, which include prolonged and more widely-diffused dependence on the outside world for life styles, patterns of consumption, and the basis for productive capacity. Another negative externality of reverse migration can include increased costs in foreign capital consumption and production, although migration itself is not slowed.

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<sup>36</sup> (Ma 2001, 252)

<sup>37</sup> (Ma 2002, 1773)

<sup>38</sup> (*Ibid.*)

<sup>39</sup> (Thomas-Hope 1985, 157-77)

Circular migration and its transnational networks may perpetuate economic growth, but they might not necessarily promote equitable development.

### **Jamaica**

Thomas-Hope (1999) follows up her earlier study in a subsequent piece that examines Jamaican “transnational linkages” which are established between migrants and their home country (especially at the level of the household and family). Similarly to the Chinese Government, the Government of Jamaica encourages the return of nationals with the purpose of increasing domestic growth and economic specialization through the establishment of Return of Talent Program. These returnees have the potential to make different kinds of contributions to national development with their skills, educational and professional experience, and financial capital (which can be transferred for investment or as retirement income).<sup>40</sup>

Another aspect of the literature on transnational networks and migration emphasizes travel and cultural exchanges/influences. Duval (2003) analyzes visiting friends and relatives (VFR) and highlights the importance of relationships between returning visitors (originating from diasporic communities abroad) and the host community. VFR can function as a stage for the negotiation of identities and can also have an ultimate impact on development in the Caribbean. He reiterates that the growth of permanent migrant communities generates significant potential for tourism, and that migrants often choose to return to their former place of residence because they already have some social ties there.<sup>41</sup> The more often migrants visit family and friends (in this case, within Jamaica) the more likely they will return from Canada (or abroad) and bring their skills with them, via a transnational framework of social ties.

### **El Salvador and Guatemala**

Chinchilla and Hamilton (1999) look at what they call networks and alliances in a transnational context and elaborate on how Central American migrants in California form socio-spatial connections. The socio-spatial connections between the migrants can often lead to business investments (i.e., transport and courier services, furniture manufacturing) between two countries and several regions. The research shows that migrants earn money and send it back to invest in these linkages of trust and networks of reciprocity. In this instance, social capital is reinforced via repeated economic transactions.

Chinchilla and Hamilton conclude that transnationalism is affected by economic and social contexts; new transnational practices emerge as this context changes.<sup>42</sup> They also conclude that transnational practices of Salvadoran and Guatemalan migrants have led to strengthened networks within their communities of origin that have, in turn, transformed these communities, and

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<sup>40</sup> (Thomas-Hope 1999,183-207)

<sup>41</sup> (Duval 2003, 285)

<sup>42</sup> (Chinchilla and Hamilton 1999)

even their respective national economies. Chinchilla and Hamilton also comment that non-migrants can have an important role in transnational migrant practices.

## **Mexico**

In the case of Mexico (the largest exporter of migrant workers in the Americas and one of the largest in the world), Massey and Parrado (1998) research the impact of roughly 5,675 return workers on thirty communities. They discuss how these workers spend their earnings and what influences their success. The authors counter criticisms that migrant work in a host country only perpetuates relatively few low-paying jobs in the home country. Instead, they find that limited capital opportunities are the central cause of slower market growth from return migration entrepreneurship.<sup>43</sup>

The research shows that married, home-owning men with higher educations and more time abroad are most likely to invest when they return. When they do so, they tend to form manufacturing or wholesale rather than retail or service businesses. A larger influx of migra-dollar remittances into the community as a whole is also important to successful overall local entrepreneurship, because more disposable income is available for general rather than specific consumption.<sup>44</sup> Massey and Parrado (1998) emphasize that the transnational network between the U.S. and Mexican economies creates jobs through training abroad. Job creation networks, rather than social capital aspects, influence the “paradigm of the new economics of migration.”<sup>45</sup>

Orozco (2004) emphasizes the importance of local community ownership and participation and constant liaisons between local leaders with home town association (HTA) remitters abroad. Orozco discusses their importance particularly in the context of sewing cooperatives, sheep farming micro-enterprise projects, and potable water projects.<sup>46</sup> The HTA links not only send hard currencies for building small businesses, but more importantly, transform the political culture and local politics where they operate. Increases in accountability and transparency standards occur because they are needed by the projects.<sup>47</sup> The author argues that HTAs set examples for local home country communities (especially smaller ones) in how initially philanthropic money-raising organizations can provide a start for small businesses and the finance institutions that support them locally.

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<sup>43</sup> (Massey and Parrado 1998, 19)

<sup>44</sup> (*Ibid.*, 16)

<sup>45</sup> (Massey and Parrado 1998)

<sup>46</sup> (Orozco and Welle 2005, 31)

<sup>47</sup> (Orozco and Lapointe 2004, 37)

## **Conclusion**

This literature review provides an overview of major concepts in circular and return migration research. The general themes of the research include topics that range from brain gain/drain, gender, social capital within diaspora networks, and the influence of circular migration patterns on hometown associations (HTAs). Themes in circular and return migration literature are complex and interrelated in several different ways, particularly in the context of how developing countries are directly or indirectly influenced by returning migrants. Additionally, the reviewed literature demonstrates that remittance funds from diaspora have successfully set up financial infrastructures and environments with a flow of ideas, money, and political support from the host to the home countries. Development professionals and policy makers are likely to continue researching methods to harness resources from the diaspora and return migrants in order to support development.

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