

The Return of the Sea Turtles: Empirical Evidence from China on the Industry Level Impacts of Return Skilled Migration¹

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Abstract

Skilled migrants who return home after studying or working abroad could potentially contribute significantly to economic development of their home country. We study arguably the largest such case of high-skill return migration: the return of thousands of elite migrants to China, induced by incentive packages that were implemented across nearly all of China's provinces in years varying from the early 1990s to the mid-2000s. Return migrants are nicknamed "Sea Turtles" in China, and hence the policies are also known as the "Sea Turtle policies," though they were technically restricted only to elite return migrants. We focus on the impacts of the policies on (manufacturing) industry level outcomes, leveraging province-by-year variation to implement a differences-in-differences estimation strategy. We also provide supporting evidence that the timing of adoption was effectively random with respect to other province-level characteristics and trends. We show that the impacts of the Sea Turtle policies are consistent with Schumpeterian churning: some industries experience increases in average value-added per worker and decreases in the number of firms, whereas others see increases in losses per firm. That the latter effect is concentrated in R&D and capital intensive industries is consistent with sunk capital effects. In closing we further discuss mechanisms that may rationalize the results.

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