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No.10

SSE Riga/BICEPS Research papers

BACK FOR BUSINESS:  
THE LINK BETWEEN FOREIGN EXPERIENCE  
AND ENTREPRENEURIAL ACTIVITY IN LATVIA

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August 2022



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# Back for business: the link between foreign experience and entrepreneurial activity in Latvia<sup>1</sup>

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## Abstract

Research shows that return migrants have a higher propensity to set up an entrepreneurial activity or be self-employed compared to non-migrants. We take a multidisciplinary approach and empirically study the case of Latvia as a migration donor country to learn how re-migrants participate in entrepreneurship back at home. We are interested if foreign experience can be seen as a vehicle for entrepreneurial activity and if it is worth looking at return migrants as agents of business growth and innovation. Not only we measure the fact of being entrepreneurial, but also explore sources that contribute to the higher propensity, attitudes to creating own business venture, level of ambitions and population sentiment towards entrepreneurs.

Based on a nationally representative adult population survey of 8000 observations, we find that early-stage entrepreneurial activity, established business ownership as well as intrapreneurship for return migrants exceed that of non-migrant population. We find that self-perceived capabilities to start business is higher for those who have lived abroad, and fear of failure is lower; re-migrants also have better businesses networks and have higher growth and export ambitions. The return migrant entrepreneurship in Latvia is not necessity driven, rather motivated by opportunities. Migration experience, length of stay abroad and capital accumulated abroad are found to be significant predictors of probability to become entrepreneur when controlled for socioeconomic and personal factors.

Keywords: return migrants; returnee entrepreneurship; entrepreneurial activity

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<sup>1</sup> This research was supported by Latvian Council of Science, Funding number: lzp-2018/1-0486, acronym: FLPP-2018-1

## **1 Introduction**

Latvia has exhibited the fastest depopulation rate in the world (UN, n.d.) - since 2000 the Latvian population shrunk by 18% to 1.9 million people due to a combination of low birth rates, ageing population, and emigration. An estimated 260 thousand Latvian citizens have emigrated from Latvia in the period 2000-2021 (Hazans, 2016), and the Latvian diaspora in 120 countries reaches 370 thousand (Šūpule, 2021).

While migration is often perceived as a permanent action in neo-classical migration approach hence creating regrets in the sending economy, researchers argue that nowadays it is more commonly temporary (Zimmermann, 2014; Dustmann & Görlach, 2016): a certain number of migrants return home, carry back enhanced human capital, funds and networks. Often, they re-migrate again, hence the terms circular migration and brain circulation. Specifically, it is true for the contemporary migration system in Europe. For example, Favell (2008) finds that “East European migrants are in fact regional ‘free movers’ not immigrants and, with the borders open, they are more likely to engage in temporary circular and transnational mobility, governed by the ebb and flow of economic demand, than by long-term permanent immigration and asylum-seeking”.

Given the large Latvian migrant community, actual and potential remigration is high on policy agenda - especially considering the scarce labour force and pressure from the business community to ease immigration from third countries. Academic community contributes to the discussion by studying Latvian diaspora (see, for example, Kaša & Mieriņa, 2019 and Krišjāne & Krūmiņš, 2019). Extensively emigrant communities are studied in the main Latvian emigrant recipient countries – UK and Ireland (King, Lulle, Parutis, & Saar, 2018). Increasingly attention is being focused also to the value of human capital brought back when returning to home country.

The emphasis on return migration is not unique to Latvia. The field of return migration has been growing over the last decades and has expanded across many disciplines, including political science, anthropology, sociology, economics, health and more. In the subfield of

economics, post-return effects of migration are one of the expanding directions, as argued by King and Kuschminder (2022, p.8). After Central- and Eastern European countries accession to the EU in 2004 and the 2008-2009 financial crisis that incentivised people to leave their home countries primarily for work or educational reasons, their return has been identified as a way to reverse brain drain and turn migration into a source of brain gain (Favell, 2008; Martin & Radu, 2012).

Conceptually we see the return migration as part of transnationalism paradigm and realise that returns of the nationals to Latvia may not be permanent, but rather an episode of a liquid back-and-forth mobility, also known as circular migration - a feature of globalisation. Contemporary return migration is more and more commonly seen as a part of the journey, not the terminal point (Fredheim and Vārpiņa, 2022). Yet, it does not diminish the importance of studying the topic. Rather, entrepreneurship can be seen as a factor in the mobility decision making process, success of which may turn the odds in favour of residing in Latvia – one of the main goals of migration policy in the country.

Entrepreneurship is the second pillar of our study. We see the contribution of this paper to return migration – development nexus subfield and aim to shed light on the scarcely explored return entrepreneurship, specifically with emphasis on Latvia. Hence this research is interdisciplinary between migration and entrepreneurship. Empirically we study the case of Latvia as a migration donor country to learn how return migrants participate in entrepreneurship back at home. We inquire, *what differences does population with foreign experience manifest compared to non-migrant population when it comes to entrepreneurial activity?* Further, we question *what factors are associated with the status of being entrepreneur and especially how factors associated with mobility experience help to predict the outcome.* Above questions are driven by the interest if foreign experience can be seen as a vehicle for entrepreneurial activity and if it is worth looking at return migrants as agents of business growth and innovation. Not only we measure the entrepreneurial activity, but also explore motivations, attitudes towards creating own business venture and returnees' sentiment and self-assessment with regards to entrepreneurship.

The article is organised as follows. Section two provides background by explaining the return migration situation in Latvia, reviews literature on the topic and develops hypotheses. Section three describes the methodology data. Section four presents findings, section five discusses and concludes.

## **2. Background and previous research**

### **2.1. Migration and returnees in Latvia**

The focus of our study is the population in Latvia ‘with foreign experience’, also called ‘return migrants’. The term ‘return migration’ is ambiguous, as discussed in King et al. (2022, p.3), and for the purpose of this study we define it in line with King et al. (2022) as follows: “Return migration is when people return to their country of origin after a significant period abroad or another region”. Further, for this study we establish that the “significant period” is defined as “ever lived abroad for more than three consecutive months” (in line with Hazans, 2016). We differentiate it from “re-migration” that can mean a repeated migration episode, not necessarily homeward movement.

The data on registered international migration witness that emigration has been gradually declining since 2014 and has dropped by half over the eight years from 20 thousand to 11 thousand (see Table 1). Immigration, on the other hand, has been relatively stable at around 10 thousand persons a year. The flow of returning Latvian nationals over recent years has been between four and five thousand people a year. It must be noted though that Latvian statistical office uses a narrower definition than ours and registers returnees who have spent more than 12 months living abroad. The data therefore represent a lower border of return migration estimates. Plus, there are transnationals who work in two or more countries. Further, the returnees should not be measured against departures in the respective or any of the previous years since the length of emigration differs. Krisjane et al. finds that between 2014-16 more than 60% of immigrants were Latvian nationals i.e., return migrants (Krišjāne, Apsīte-Beriņa, Burgmanis, & Šulca, 2019).

Table 1. International migration in Latvia, years 2014-2020 (number of persons)

Year	Total		Latvian nationals		<i>Remigrants*</i>
	Emigration	Immigration	Emigration	Immigration	
2014	19017	10365	16438	5864	6762
2015	20119	9479	16579	4974	5617
2016	20574	8345	16633	4897	5409
2017	17724	9916	14622	4780	5455
2018	15814	10909	12241	4346	4852
2019	14583	11223	9916	4578	5114
2020	11990	8840	7890	4250	4728

Source: Latvian Central Statistical Office database, code IBE060; IBR040.

\* According to definition of Latvian Central Statistical Office: Latvian national (citizen, non-citizen or person born in Latvia) who has emigrated and immigrated in the reference year. In terminology used in this article, in line with academic definitions, these are return migrants that have spent abroad more than 12 months and returned to Latvia during the respective year.

Given the history of migration in and out flows over the recent decades, a certain proportion of the population in Latvia can be considered return migrants. Based on 2016 survey (Krišjāne et al., 2019) find that 14,3% of Latvian population has migration experience (lived abroad for at least three consecutive months). Among younger generation – school graduates – the foreign experience rate is 15% (Varpina, Fredheim and Krumina, 2021). The proportion of population with migration experience is substantial and growing.

## 2.2 Occupational choice of return migrants

The occupation of return migrants back home matters. The brain gain from migration can only be achieved if individuals make use of the skills that they have acquired abroad via education or work experience. The options available to them differ by countries and by individual characteristics. The most common careers in formal and informal are salary employment, self-employment, entrepreneurship as well as non-participation in labour market. Piracha (2015) writes “those who take up wage employment or self-employment in the informal sector are biding their time until they are able to move to the formal sector”. Some stay out of formal employment for good. The occupational choice of return migrants depends, among others, on such factors as length of stay abroad, reason for return and the form of migration (be it

temporary, circular, or long-term) (Dustmann and Kirchkamp, 2002), individual characteristics (age, gender, education) (Marchetta 2012).

Literature detects a number of other returnee-specific advantages such as earnings premium (Hazans, 2016; Iara, 2008; Piracha, 2015; Martin & Radu, 2012; Tverdostup & Masso, 2015). On the other side, positive returns to migration may not always be the case. Coniglio and Brzozowski (2018) point to the fact that return home can happen after a failure abroad (bitter return), and in such a case, the gains are “modest or detrimental”. The positive impact is further challenged by Bruck, Mahe and Naude (2018). They show that self-employment after return is only a temporary occupational choice till one finds wage job, and driven by necessity, not opportunity. Also Black and Costaldo (2009) indicate that literature does not always support gains from migration experience. Based on five developing countries Gibson and McKenzie (2012) find evidence that although returnees share gained knowledge, they are not more productive as entrepreneurs. Public opinion about return migrants is often mild if not hostile – they can be perceived as arrogant, because they see themselves as non-replaceable (Hazans, 2016), having too high expectations or crowding out non-migrants. Fredheim and Varpina. (2021) find that “managers and employers are not unequivocally positive about employing returnees”.

Migration experience however can bring benefits not only to the return migrants themselves but have spill-over effects to other individuals in the labour market. Hausmann and Nedelkoska (2018) prove that return migrants improve local labour market outcomes as they not only create jobs for themselves but also for others. For Albania they conclude that returnee enterprises pull non-migrants from “non-participation, unemployment and subsistence agriculture into commercial agriculture” (p 119). Entrepreneurship is a common career choice across countries. In Latvia, the share of entrepreneurs and self-employed is higher among returnees than among the Latvian population without foreign experience (6% and 4%, respectively, 2014 data) (Hazans, 2016). One in five return migrants, Hazans (2016) finds, plans to set up their own business or practice in the next 6 months, but among those who are already self-employed, this

proportion reaches 45%. This result demonstrates a very high level of entrepreneurial desire and potential among return migrants.

Business ownership or self-employment is just one of ways how individual entrepreneurial drive can be manifested. In the last two decades, scholars have recognized the concept of entrepreneurial employees i.e. employees who show entrepreneurial behaviour within an existing firm. These intrapreneurs exploit a new opportunity by creating a new venture within the existing organization (Parker, 2011). Empirical evidence suggests that individuals may decide to start their own independent business after a career as intrapreneur (Bosma, Stam, & Wennekers, 2011). Even more, data from the 2011 Global Entrepreneurship Monitor (GEM) has shown that intrapreneurs on average have higher intentions to start their own business compared to other employees (Bosma, Wennekers, & Amorós, 2011). Accordingly, intrapreneurship can be seen as a step towards own business. This aspect has not been studied specifically for return migrants, but we hypothesize that qualities and experience possessed by returnees may appear via intrapreneurship, especially if the capital accumulated abroad has not been sufficient, or if the person returns right after studies abroad.

### **2.3 Entrepreneurship in the context of returnee occupational choices**

Monitoring and measuring entrepreneurship and entrepreneurialism among the population however is not trivial. The choice of the measures depends on the objectives of the study and reasoning of what this study is intending to inform. According to Desai, three of the key considerations for measuring entrepreneurship are: *how* it is done – the choice between the form of activity like self-employment or new firm formation; *why* is it undertaken, i.e., the drivers of the activity - necessity, opportunity; and *what* outcome is achieved, for example, growth (Desai, 2017). The “how” and “what” measures represent the activity and are generally well measurable via enterprise registers and yearly reports, while “why” aspect can only be captured via surveys of entrepreneurs. Global Entrepreneurship Monitor (GEM) is specifically intended for the purpose.

At country level, entrepreneurship is the driver of economic development and growth, and it has an influential role in standard of living – it creates jobs, creates wealth and income for the government budget, and plays many more roles. From an individual perspective, however, it is an occupational choice of a person, subject to rational and emotional personal choices. Entrepreneurship as a career has myriad of benefits – independence in decisions and actions, work at own pace and direction, ability to perceive own goals and income that is dependent on the individual’s own performance. In the case of success business income exceeds that of employed salary. On the reverse side is the higher risk and instability of income, no guarantee of income beyond personal action, and need for investment in form of starting capital or for business development.

The career choice of being an entrepreneur is associated to personality traits such as self-efficacy, innovativeness, opportunity seeking, readiness to take risk and others, collectively referred to as entrepreneurial mindset (Daspit, Fox and Findley, 2021). The traits largely overlap with the personal characteristics of migrants (as compared to individuals choosing not to migrate). A recent study by Vandor (2021), for example, demonstrates that “voluntary international migrants have a more entrepreneurial personality as a result of self-selection”. The authors find that two personality traits that mainly define entrepreneurial personality are willingness to take risks and need for achievement, and the author shows that these are the characteristics more commonly possessed by economic migrants and entrepreneurs alike. In voluntary migration, the ones to migrate possess a set of personal characteristics that differ from remaining population. They are shown to be less risk averse (Constant and Zimmermann, 2006; Neville, Orser, Riding and Jung, 2014), more active and open to experience (Remhof, Gunkel and Schlaegel, 2014), looking for non-standard approaches and solutions. These are characteristics commonly associated with being more entrepreneurial. In the case of return migration, there is a double non-random selection of persons into the mobility. The migrants possibly possess “unobservable characteristics correlated with entrepreneurial outcomes, such as ability or motivational drive”, Batista, McIndoe-Calder, & Vicente (2017) argue.

The finding brings us to the issue of causality and self-selection in the migration processes that is of importance when studying return migrant entrepreneurship. One of the difficulties with assessment of the occupational choice of returnees is the endogeneity and simultaneity in the decisions the migrants take (Naude, Siegel and Marchand, 2017). These things tend to affect each other: the person is likely to take decision to move if s-he should have an appropriate employment opportunity, or because s-he has an employment opportunity or start a new enterprise. The decision to start a business can as such be a motive to return, creating an upward bias in estimates of propensity to become entrepreneurs.

Moreover, migration process involves a series of decisions, and in the context of repeated, including return, migration – a series of interdependent steps. The people who decide to migrate are not a representative sample of population of country of origin, but selection involves a self-selection algorithm. Hence, the self-selection process needs to be counted in when searching to discover the causal links between foreign experience and migrant entrepreneurial activity. On example of a large quantitative survey Batista et al (2017) show the necessity to control for the self-selection effect if estimating effects of return migration on entrepreneurial activity. The approach has been applied in earlier studies too, for example, Carletto and Kilic (2011) in the analysis of upward occupational mobility in Albania control for the non-random nature of migrants. For this study we aim to characterise the difference in entrepreneurial activity between return migrants and non-migrants rather than prove that international experience is what causes higher business activity.

#### **2.4 Determinants of higher returnee entrepreneurial activity**

Indeed, a recent and growing body of literature has been looking at differences between return migrant and non-migrant entrepreneurial activities. In light with more fluid migration tendencies migrants have more opportunities to develop basis of which one can build businesses (Marchetta, 2012). According to Wahba and Zenou (2012), and Piracha and Vadean (2010), return migrants are more likely to start businesses than individuals that have no foreign living experience. Returnees are shown to have a higher propensity to set up an entrepreneurial

activity or be self-employed compared to non-migrants (Brück, et al., 2018; Carletto & Kilic, 2011; Démurger & Xua, 2010; Hausmann & Nedelkoska, 2018; Marchetta, 2012; Martin & Radu, 2012; Wahba & Zenou, 2012). Returnee business ventures have higher chances of survival for returnee entrepreneurs' businesses (Piracha, 2015; Marchetta, 2012). Recent literature also finds positive links between returnees social networks and performance of their businesses (Bai, Holmström-Lind, & Johanson, 2018; Lin, Zheng, Lu, Liu, & Wright, 2019). In the meantime, during migration process, people can lose networks and local knowledge, that reduces the probability of establishing own enterprises (Naude et al. 2017). The evidence of higher return migrant entrepreneurship prevalence is hence ambiguous (Black and Costaldo 2009, Gibson and McKenzie 2012). They suggest that the returnee group is not more productive as businesses or do not have important impact on economies. Empirical evidence on dissimilarities between individuals with various migration backgrounds, or lack of such, is hence indefinite and circumstantial.

It needs to be noted that it is not the foreign experience per se that makes individuals more prone to become business owners. Literature finds that one of the strongest predictors of return entrepreneurship starting new businesses is savings accumulated abroad – these were found important by Black and Costaldo (2009) in study of Ghana, Lianos and Pseiridis (2009) in a comparative study of six countries in central Asia, Caucasus and Southern Eastern European countries, Demurger and Xu (2011) in China and by McCormick and Wahba (2001) in Egypt, as well as by Hamdouch & Wahba (2015) and Pamfilie, Grosu and Bumbac (2015). Dustman and Kirchkamp (2002) and Mesnard (2004) specifically show that return migrants invest financial capital in companies back home, hence the migration can be a purposeful strategy from the start to accumulate financial capital for later business development.

Further, important sources for higher entrepreneurial activity are increased human capital through education and work experience (new skills and knowledge) (Pamfilie et al. 2015; Alili, Adnett, & Veseli-Kurtishi, 2019). Though Black et al (2009) do not find it to be significant where included in analysis. Length of stay abroad tends to be positively related to probability of starting a business venture (Black et al. 2009, Wahba et al. 2012). The experience matters

too – the more jobs have been held abroad, the more common is business ownership back home (Demurger et al. 2010).

## **2.5 Attitudes and aspirations**

Attitude towards entrepreneurship is an indicator if the individual would consider the occupational choice and serves as a predictor for future actions. If the return migrant is not entrepreneur or self-employed, or intrapreneur, but generally has a positive attitude, and if that is different from the non-migrant population, it may mean a higher propensity to become one in the future. However, we are not aware of studies on this aspect in literature, hence are aiming to explore the direction. The ambitions are admittedly complex to measure, typically entrepreneurs are directly asked in surveys (e.g. Global Entrepreneurship Monitor) or in-depth interviews.

Motivations for undertaking business ventures differ – some individuals notice a business opportunity and exploit it (hence called opportunity-driven entrepreneurship), while others may undertake it out of necessity because of lack of other occupational choices (necessity-driven entrepreneurship). Krumina and Paalzow (2018) point out that entrepreneurial motivation is important for the future development of the economy. Opportunity driven kind is believed to contribute to growth more through innovation and job creation. Among migrants the necessity motivated businesses are more common (Naude et al 2017), but the prevalence among returnees in comparison to non-returnees has not been established.

Entrepreneurial aspirations or the level of ambition of the entrepreneurs is yet another set of measures. Especially in comparative setting the aspirations can show the potential of the resource encompassed in the business community. When talking about early-stage entrepreneurship, it can also show what level of growth and innovation can be expected in the future, hence possibly indicating future economic potential. Again, if we find that aspirations of returnee entrepreneurs differ (are higher) from indigenous entrepreneurs, this fact may point at added human capital that is acquired abroad.

All in all, research on returnee entrepreneurship is growing in attention and so far largely focuses on countries with history of recent emigration – Central and Eastern Europe (Romania, Albania, Poland), Central Asia (Kyrgyzstan), also Egypt, Morocco, some other African countries and China. The literature finds that return migrants are relatively more likely to start entrepreneurship or become self-employed compared to population without foreign experience. Though, as argued by Naude et al (2017), the discussion about migration-entrepreneurship nexus needs to be more nuanced. Different profiles of return migrants have different probabilities to end up in business ownership, and the success rates differ too. Accordingly, it is crucial to empirically study the role of different factors with theoretical impact on probability to start an enterprise. More so, for Latvia with its' large diaspora where return migration is seen as a source of brain gain and where returnees can contribute to economic development via bringing back entrepreneurial skills. Academic research on Latvia is rich in featuring emigration, diaspora, brain circulation, return migration in general, but scarce in capturing specifics of returnee entrepreneurship. In this study we connect the migration and entrepreneurship fields and aim to partially close the gap.

### **3 METHOD**

#### **3.1 Approach**

Analysis in this study consists of two steps. First, we describe and analyse differences in entrepreneurial spirit among return migrants and non-migrants, using indicators native to entrepreneurship studies. T-tests are conducted to determine whether there are statistically significant differences in the selected parameters and whether we can with certainty conclude contrasts between migrants and non-migrants. The second step is a binary logistic regression that is performed to determine factors associated with status of being an entrepreneur. Entrepreneurial status is modelled, using foreign experience as explanatory variable along with other factors found significant in literature, incl. socio-economic control variables.

### 3.1.1 Describing entrepreneurship and entrepreneurial activity

To answer the first research question, we take a descriptive approach and analyse in depth the profiles and differences between the return migrants and non-migrant population groups with the help of T-tests and using a list of entrepreneurship indicators. If the difference is statistically significant, the return migrant community can be seen as embodying the skills, attitudes and personal traits that are needed for entrepreneurship, and this would speak for necessity to stimulate their return as a means to promote business and development in Latvia.

Conceptually we build on Global Entrepreneurship Monitor methodological approach (GERA, 2017; Kruminā & Paalzow, 2018). According to the framework, three key components of entrepreneurship study are (1) attitudes and perceptions, (2) entrepreneurial activity and (3) aspirations and motivations. Our conceptual contribution consists of incorporating the foreign experience in the framework, and empirically we compute and contrast indicators for return migrants and non-migrants. The following two sets of indicators are used in the analysis are:

1. Entrepreneurial attitudes and perceptions that show to what extent members of society appreciate entrepreneurship – in terms of *general attitudes* (e-ship as a good career choice, high status in society and media attention); and as *self-perceptions*: perceived capabilities, perceived opportunities, perceived innovativeness, networks, fear of failure and entrepreneurial intentions.

2. Further, we estimate and scrutinize five parameters that characterize sequential stages of entrepreneurial activity:

- (1) *Nascent entrepreneurs (Nascent)* – individuals actively involved in setting up a business which entails committing resources to start business, but the business has not been started as of the moment of the survey.

- (2) *New business owners (New)* – entrepreneurs who own and manage a new business. This is a phase of activity spanning up to 42 months (3.5 years) after establishment of a company.

- (3) *Established business owners (EBO)* – entrepreneurs who own and manage an established business, older than 42 months. The cut-off period of 3.5 years is

calculated based on empirical and conceptual considerations (Reynolds et al. 2005). This approach has been consistently used by GEM society since its' establishment.

(4) *Employee Entrepreneurial Activity (EEA)* – individuals involved in entrepreneurial activity within an existing organization, also referred to as *intrapreneurs*. Intrapreneurship is a form how entrepreneurial activity can be manifested. The employee acts as an entrepreneur, but within an organisation. It is a “practice of developing a new venture within an existing organization, to exploit a new opportunity and create economic value” (Parker, 2011), hence it plays an important role in company innovativeness and development. As personalities, the intrapreneurs convey similar characteristics to independent entrepreneurs – they are pro-active, creative, and self-motivated. Often it is the first step towards independent entrepreneurship, especially in early career when the experience, network or financial resources do not allow establishing own business right away. In line with the previous literature on the subject we expect to find that EEA prevalence among returning migrants would exceed that of non-migrants.

(5) *Business discontinuance* rate and nature is accounted for as a standard GEM indicator. It tracks prevalent of individuals who discontinued their business activity in the 12 months preceding the survey moment. It speaks towards the sustainability of business initiatives and entrepreneurial dynamics in the economy. The reasons revealed by respondents help to disclose issues prevailing and are accounted for.

*Nascent* (1) and *New* (2) business owners together are referred to as *Total Early-stage entrepreneurial Activity (TEA)* and computed as “prevalence rate of individuals in the working-age population who are actively involved in business start-ups, either the phase in advance of the birth of the firm, or the phase spanning 42 months after the birth of the firm” (Krumina & Paalzow, 2018). Methodologically, GEM considers payment of wages for three consecutive months as the birth of the company. TEA is one of the key indicators.

3. As the third way of approaching the topic, we explore motivational reasons for entrepreneurship (via looking only at the entrepreneurs) as characterized by (1) necessity

driven – the business was started because there were no better work options; and (2) improvement-driven opportunity entrepreneurship – motivated by seeing opportunity to improve the livelihood. Motivation can reveal important patterns about returnee entrepreneurship. We hypothesize that opportunity driven entrepreneurship shall be higher among returnees since they can build on the experience and new things learned abroad and notice locally unseen opportunities. Since improvement driven e-ship “is believed to contribute much more to growth of the economy through innovation and job creation compared to necessity-driven entrepreneurship” (Krumina & Paalzow, 2018), this is a critical indicator of how return migrants bring back extra value added.

### **3.1.2 Seeking predictors associated with entrepreneurial status**

In the second step of analysis a binary logistic regression analysis is employed to answer the second research question – seeking predictors for the status of being an entrepreneur. The dependent variable in the analysis is the entrepreneurial status of the individual (E), i.e., if the individual is one of three types of entrepreneurs – early-stage entrepreneur (TEA, or Nascent + New business owners), Established business owner (EBO or Intrapreneur (EEA). Hence  $E(\text{TEA}+\text{EBO}+\text{EEA}) = 1$ . Alternatively,  $E=0$  if individual is not involved in any business activity form.

Independent variables which are used to predict which individuals are more likely to be entrepreneurs are presented in Table 2. There are four sets of explanatory factors, chosen for their presence in findings in migration literature. First, the migration or life abroad related factors: (1) experience as measured by three separate categories to capture the role of length of stay abroad – lived abroad between three and twelve months, lived abroad one to four years, or resided aboard more than four years. (2) Higher education acquired abroad as proxy for skills carried back, (3) accumulated savings abroad and (4) work experience abroad. The second set of indicators are attitude factors as also used in GEM methodology, that include perceptions on business environment, assessment of networks and own skills. Inclusion of attitudes and perception variables allow to control for the personality and hence limit the impact

of selection bias among the migrants. Thirdly, we control demographics, and finally we include year dummies. The database consists of four years of observations, two of which were affected by the global Covid-19 pandemic (year 2020 and 2021; that are, based on the methodology, accounted in data as years 2019 and 2020 respectively). We allow for a possibility that the two years may have been outliers when individuals may have behaved differently. We cannot however forecast the direction of impact.

Table 2. Variables in the binary logistic regression model

Variable name	Type	Expected effect
<i>Dependent variable</i>		
Entrepreneur (TEA+EBO+EEA) (Yes = 1; No = 0)	Dummy	
<i>Independent variables</i>		
<i>Socio-economic and demographic characteristics</i>		
Age	Continuous	Negative
Gender (female = 1, Male = 0)	Dummy	Negative
Latvian (Latvian = 1, other = 0)	Dummy	
Russian (Russian = 1, other = 0)	Dummy	
Secondary education (Secondary = 1, other = 0)	Dummy	
Household income (<100 EUR - 600 EUR=1; 601 EUR – 1200 EUR =2; 1201 EUR< = 3)	Ordinal	Positive
<i>Foreign experience related factors</i>		
Length of stay abroad (Never lived abroad more than 3 months = 0; lived abroad 3-11 months = 1; lived abroad 1-4 years = 2; lived abroad more than 4 years = 4)	Ordinal	Positive
Education from abroad (yes=1; no=0)	Dummy	Positive
Accumulated savings abroad (yes=1; no=0)	Dummy	Positive
Qualified work abroad corresponds to education/qualification	Dummy	Positive
Qualified work abroad not corresponding to education/qualification	Dummy	Negative
<i>Attitudes and perceptions</i>		
Risk averse (yes=1; no=0)	Dummy	Negative
Failure to spot opportunity (yes=1; no=0)	Dummy	Negative
Failure to act (yes=1; no=0)	Dummy	Negative
Network (yes=1; no=0)	Dummy	Positive
Entrepreneurial skills (yes=1; no=0)	Dummy	Positive
Innovativeness (yes=1; no=0)	Dummy	Positive
Foresight (yes=1; no=0)	Dummy	Positive
Social orientation (yes=1; no=0)	Dummy	
<i>Year</i>		
Covid-19 years: 2019 and 2020 (surveyed summer 2020 and 2021) (yes=1; no=0)	Dummy	Unknown

Source: Authors' estimations based on merged GEM APS 2018-2019-2020-2021 surveys

### 3.2 Data

We use Latvian Global Entrepreneurship Monitor (GEM) data of four consecutive years – 2018-2021. The sample is nationally representative and surveys adult population aged 18-64. The total sample size is 8000 respondents over four years (2000 per year). GEM is an international study of entrepreneurship, covering 115 economies across the world, aimed to analyse and compare trends in entrepreneurship around the world. Latvia has been part of the network since 2005, organising yearly surveys, based on the GEM Consortium methodology. For the years 2018-2021 a special module with questions related to foreign experience have been added to the standard GEM questionnaire in Latvia, allowing to research the established entrepreneurship indicators by dimension of migration experience.

As GEM is a longitudinal but also evolving research programme, aimed to reflect current developments, the content of surveys is developed from year to year. The core GEM questionnaire over the period of our study has evolved. Due to some questions being taken away, and others added, selected indicators (such as e.g. opportunity driven entrepreneurship) are only computed based on the years of available basis information. In such cases the number of observations for the factor is smaller and we indicate the fact together with it. Further, as Covid-19 pandemic hit the world, economies and usual routines got disrupted, thus it likely had effect on entrepreneurial activities too. Years 2020 and 2021 fall under the Covid-19 period, we therefore control for them in the logit regression.

Stratified random sampling with interviewing in place of residence was used, executed by professional survey research company. The sample is nationally representative by age, gender, education, and region of residence. Sample descriptive statistics are provided in Table A1 (see Appendix).

Return migrants in our sample are the population who have ever lived outside Latvia for more than three consecutive months. We differentiate the experience by length of period spent abroad – up to one year, one to four years, and more than four years. The length of period residing abroad may matter. According to our estimates the number of return migrants in

Latvian population is 18%, whereas 82% of the surveyed population have never lived abroad for more than three consecutive months. This result is in line with return migrant prevalence estimates from other sources: Krišjāne et al (2019) estimated that 14.3% of Latvian population has migratory experience; Vārpiņa, Krūmiņa and Fredheim (2021) in later data finds the proportion for adolescents is 15%. The difference, we recon, represents the increasing share of returnees in Latvian population over the latest years. Seen by length of stay abroad, 5% of Latvian adult population, currently residing in Latvia, have lived abroad for more than four years during their life. Further 6% have stayed abroad for one to three years, and 8% - between three and eleven consecutive months. This last category is not considered in official statistics as living abroad and can imply also extended travel periods. Yet, in our opinion also a three-month period is long enough to potentially absorb the foreign lifestyle, contacts, and experiences. The emphasis is also on the fact the these are consecutive months spent abroad, not summed over several stays. Only minority of return migrants (3% of the population) have brought back financial capital, even though for two thirds of the returnees employment was previously the main purpose for leaving Latvia to live abroad (61 percentage points or 11% of population), but for quarter of returnees (22 percentage points or 4% of population) the main reason had been education abroad. Though, only 2% of returnees, so about half of that, acquired full programme of higher education abroad. Others may have gone for exchange semesters or shorter education courses.

Entrepreneurship is the career choice for more than a quarter of the population – 27% of Latvian adult population is involved in entrepreneurial activities (Table A1). Ten percent are established business owners, eight percent are in the process of setting up business (Nascent), four percent are new business owners (up to 3.5 years). A further six percent are intrapreneurs, involved in some form of business activities with their workplace.

## **4 Findings**

### **4.1. Profile: attitudes, activity, and aspirations**

This section outlines the differences between return migrants and non-migrants via a funnel approach – first focusing on all adult population as the basis of research, further narrowing down to different kinds of entrepreneurship prevalence, and finally carving out the entrepreneurs’ segment to scrutinise the particularities of the business motives and ambitions.

#### **4.1.1 Entrepreneurial attitudes and perceptions**

With regards to attitudes, the belief is that higher percentages for the examined indicators except for “fear of failure” and “not seeing opportunities” point towards higher willingness to start business (see Table A2 in the Appendix).

Returnees undeniably stand out compared to non-migrants in terms of intentions to start business – 21% of them expect to start a new business alone or with others or start self-employment within the next three years whereas there are only 12% such among population who have not lived abroad. If, as literature suggests, intentions are credible predictors of behaviour, we can expect more entrepreneurial activity from returnees than non-migrants in the future.

Returnees more commonly reflect on themselves as being capable to start new business and having the necessary skills and experience (i.e., 56% vs 48% respectively). This result can mean two things simultaneously – the returnees may have objective large human capital in form experience and knowledge acquired abroad, but at the same time they can manifest better self-confidence and attitude, i.e., the personality traits carried with them from before migration period. Return migrants have longer-term planning perspective (“Every decision you make is part of a long-term career plan”), difference of ten percentage points, and perceive themselves as being highly innovative (“Other people think that you are highly innovative”) – 36% of returnees vs 28% among people without foreign living experience.

Returnees are also more inclined to take risks and believe that fear that business may eventually fail is not an obstacle to try (the difference is not statistically significant however). From the other side, it can represent the more risk prone mindset encompassed in the migrant group as moving to a different country is also connected to risk, so they are either less risk averse or used to insecure circumstances.

Surprisingly and contrary to expectations, return migrants do not appear to see more opportunities for business compared to non-migrants (the difference is not statistically significant) – there are around one third of respondents who see good business opportunities in nearest future in both groups. We would have expected that returnees are able to use their experience from a different environment and hence be able to spot business opportunities that are not evident for someone used to the local environment. Inquired from the other perspective, non-migrants more commonly do not see opportunities even being knowledgeable in the area. This indicator shows a difference, however vague. We do not observe differences in self-assessed risk aversion too.

Business networks indicator marks a significant difference between the two groups. Asked to indicate if they personally were acquainted to any entrepreneur who had started a business, we notice there were significantly more such connections among return migrants, indicating a better connectedness in the business environment. Causality-wise, this indicator may appear to be somewhat ambiguous. Acquiring such connections can act as triggers and serve as examples for inducing thinking about establishing own business. But it can also mean that the people who are more entrepreneurial tend to be surrounded by people with similar mindsets and can naturally be surrounded by ecosystem of entrepreneurs. One way or the other, the surrounding of entrepreneurs is associated with being more entrepreneurial, and the networks for returnees appear to be wider.

#### **4.1.2 Entrepreneurial activity**

The entrepreneurial activity indicators capture, how many and what kind of businesses the population is engaged in. First and foremost, as one of the key findings, we observe that return migrants are more entrepreneurial than non-migrants. The prevalence of entrepreneurs in the returnee group is 37% as opposed to 25% in the non-migrant group. The distinction is present through all but one indicator employed in our analysis (Table A3 in the Appendix). Hence, not only return migrants express higher business intentions and expected entrepreneurial activity in the future, but there are already more established and new business owners among them.

Returnee total early-stage entrepreneurial Activity (TEA) is twice as high as that for the non-migrants – 21% of people who have lived abroad for an extended period are engaged in early stages of a business activity, whereas the respective proportion among adults with no foreign living experience is only ten percent. When disaggregated by stages of early business pursuits, the data show that the number of nascent entrepreneurs, i.e., individuals who are currently involved in setting up a business, is notably higher among return migrants than among non-migrants (14% and 6% respectively). Similarly, there were also proportionally more new business owners – those that own businesses of less than 3.5 years old – among returnees (7%) than among population without migration experience (4%).

The intrapreneurship (EEA) rate for returnees exceeds the rate for non-migrants by two percentage points (8% vs 6%) and is statistically significant, which supports other trends and previous studies that finds returnees to have higher intrapreneurship rates. Literature suggests that at a later stage a certain part of intrapreneurs is converted to independent entrepreneurs.

Lastly, just as establishment of business venture, closure is also a business activity. Business discontinuation rate, i.e., proportion of individuals that over last 12 months have stopped operating their enterprises, is an indicator of entrepreneurial dynamics and overall economic situation, as well as speaks for attributes of the businesses and their owners. The overall business discontinuation rate in Latvia is high by European standards (Krumina et al, 2018). The individuals who have lived abroad, however, demonstrate twice as high a discontinuation rate than non-migrants.

#### **4.1.3 Motivation and aspirations**

Zooming in to the group of business owners, we look at the different motives for starting the business. The proportion of opportunity driven businesses is similar in both groups of individuals (Table A4 in the Appendix). It is in line with perceptions in both population groups towards seeing and exercising opportunities described above. Yet, in contrast to previous studies (Naude et al, 2017) that showed migrants' business ventures more commonly be opportunity driven, it is not the case in Latvia. The other business uptake motive – necessity –

appears to be more common among non-migrants than among return migrants (12% vs 8% respectively).

A certain and statistically significant divergence can be observed in entrepreneurial aspirations, however not strongly pronounced. Early-stage entrepreneurs with experience from abroad are more ambitious with respect to expected growth – 48% in contrast 35% in comparison group expressed that they intent to employ more than five employees in the following five years. Returnees are typically more export oriented as indicated by the intention of 43% of respondents to export 25 plus percent of their production in comparison to just 36% in the non-migrant cluster. Innovations is one of the ways how the brain gain from remigration is expected to contribute to the economy. In that respect though Latvian return migrants' business ventures do not manifest large breakthrough. Their products are reportedly more novel (45% express the product is new to customers vs. 33% for non-migrant enterprises), but in terms of competing businesses offering the same product or service, there is no difference. Further, the difference in involvement in Hi-tech sector is not strong. This finding comes in contrast to the return migrants' self-assessment as being more innovative.

Overall, we observe systematic and statistically significant differences regarding entrepreneurial activity between population with and without foreign living experience – the returnees are more entrepreneurial by all the metrics used in our study.

#### **4.2 Binomial logit model results**

The logistic regression results that links predictor factors with probability to have the status of entrepreneur are presented in Table A4 (see Appendix). In line with literature (Black et al. 2009, Wahba et al. 2012) and expectations, return migrant status and length of the stay abroad has a significant and positive effect on being an entrepreneur. Further, capital accumulated from abroad proves to be a strong, positive and statistically significant predictor for owning a business venture.

The results show that such socio-demographic factors as individual's gender and nationality do not correlate with probability of becoming an entrepreneur, while age is negatively related to being entrepreneur, a result that is in line with earlier findings. Consistent with Black et al. (2009), education acquired abroad does not contribute to odds of becoming an entrepreneur. Personal traits, attitudes and perceptions play a role and are seen to be determinants of entrepreneurial status. Business skills are the strongest predictor of becoming an entrepreneur, while risk awareness, failure to spot opportunities and reluctance to exercise opportunity are negatively related to entrepreneurship probability. Nevertheless, being innovative, long-term planner and socially oriented do not appear to predict the status. Contrary to previous studies, also networks did not prove to matter. By controlling for the personality traits and attitudes we at least partly exclude the endogenous influence of personalities being a migrant and being entrepreneur (Naude et al, 2017).

In the regression we controlled for the Covid years, and the respective years 2020 and 2021 had no significant effects. If there was a significant effect, it would have likely been negative.

## **5 Discussion and conclusions**

We contribute to the scholarly discussion in two domains. First, we analyse different aspects of entrepreneurial activity and compare the return migrant and non-migrant populations to find that people with foreign living experience are more entrepreneurial by all metrics used in this study and GEM studies in general. Total entrepreneurial activity for return migrants exceeds indigenous population by four percentage points, and employee entrepreneurial activity (also called intrapreneurship) among returnees is also higher. Self-perceived capabilities to start business is higher for those who have lived abroad, and fear of failure appears to be lower. The return migrant entrepreneurship in Latvia is opportunity, not necessity driven, it is also more ambitious in terms of growth and export aspirations.

Second, with the use of binomial regression model we show that the experience of living abroad and length of stay in a foreign country has a positive and significant effect on becoming an

entrepreneur back at home. Further, capital accumulated abroad, and networks are strong and positive predictors of owning a business venture.

Although experimental or difference in differences methods are needed to verify if association between entrepreneurial activity and foreign living experience is of a causal nature, our findings support the fact that foreign living experience contributes to individual entrepreneurial activity. The return migrant group in Latvia is different from non-migrant population in terms of entrepreneurial spirit – returnees are more entrepreneurial in their attitudes, they manifest higher entrepreneurial activity as early stage, established entrepreneurs or intrapreneurs, and aspire for more growth and export.

Return migrants are shown to carry qualities that are essential for entrepreneurship, such as risk-taking, entrepreneurial skills, innovativeness, networks etc., hence the results speak for need to encourage and facilitate remigration as a tool to amplify entrepreneurship in Latvia. They can indeed be seen as agents of business growth. In this context, it becomes of secondary importance to establish if the positive relationship is because of human capital acquired abroad (i.e., foreign experience), or because of self-selection bias into migration.

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## Appendix

Table A1. Sample (N=8000) descriptive statistics of variables used in analysis

	%	n	Notes
<i>Entrepreneurial status</i>			
Involved in early-stage entrepreneurial activity (TEA)	12%	978	
Involved in nascent	8%	622	
Involved in new	4%	358	
Involved in intrapreneurship	6%	474	
Involved in established entrepreneurship	10%	804	
Total: Involved in early-stage entrepreneurial activity (TEA), intrapreneurship, established entrepreneurship	27%	2129	
Business discontinuation	3%	231	
<i>Demographics</i>			
Woman	53%	4219	
Latvian	59%	4710	
Russian	30%	2383	
Higher education	21%	1649	
Secondary education	34%	2711	
Household income:			
<100 EUR - 600 EUR	26%	2100	
601 EUR – 1200 EUR	27%	2124	
1201 EUR<	27%	2127	
<i>Variables related to foreign experience</i>			
Return migrant: Has ever lived or worked abroad for at least three consecutive months	18%	1416	
Total length of living abroad:			
3-11 months	9%	704	
1-3 years	5%	397	
4 years and more	4%	315	
Have accumulated savings abroad	3%	118	not in 2018 and 2019
Education from abroad: Education was the main purpose for leaving Latvia to live abroad	4%	289	
Employment abroad: Employment was the main purpose for leaving Latvia to live abroad	11%	866	
Qualified work that corresponds to individual's education and qualification	5%	385	
Qualified work but not corresponding to individual's education and qualification	3%	248	
Low qualified work	3%	233	
<i>Attitudes, perceptions, and aspirations</i>			
Risk averse: Would not start a business for fear it might fail	41%	3295	

Failure to spot opportunity: Rarely sees business opportunities, even if he/she is very knowledgeable in the area	35%	2100	not in 2018
Failure to act: Even when he/she spots a profitable opportunity, rarely acts on it	59%	3533	not in 2018
Network: Knows personally at least one person who have started a business or become self-employed in the past 2 years	35%	2740	
Entrepreneurial skills: Has the knowledge, skill and experience required to start a new business (self-evaluation)	51%	3898	
Innovativeness: Other people think he/she is highly innovative	29%	1760	not in 2018
Foresight: Every decision he/she makes is part of the long-term career plan	58%	3470	not in 2018
Social orientation: Often sees businesses that primarily aim to solve social problems in Latvia	17%	690	not in 2018, 2020
Entrepreneurial intentions: Are you, alone or with others, expecting to start a new business, including any type of self-employment, within the next three years?	21%	1566	
Perceived opportunities. Sees good opportunities for starting a business in the next 6 months	25%	2026	

Source: Authors' estimations based on merged GEM APS 2018-2019-2020-2021 surveys

Table A2. Individual attitudes and perceptions towards entrepreneurship (% of the returnee and non-returnee population respectively)

		Return migrant	Non- migrant	Reference year
<i>Entrepreneurial intentions.</i> Expecting to start a new business, including any type of self-employment, within the next three years	***	21%	12%	2017-2020
<i>Entrepreneurial skills.</i> Has the knowledge, skills and experience to start a new business	***	56%	48%	2017-2020
<i>Foresight.</i> Every decision you make is part of your long-term career plan	***	47%	37%	2018-2020
<i>Innovativeness.</i> Other people think that you are highly innovative	***	36%	28%	2018-2020
<i>Risk aversion.</i> Would not start a business for fear it might fail		39%	42%	2017-2020
<i>Perceived opportunities.</i> You see good opportunities for starting a business in the next 6 months		36%	35%	2017-2020
<i>Failure to spot opportunities.</i> You rarely see business opportunities, even if you are knowledgeable in the area	*	31%	34%	2018-2020
<i>Network.</i> Personally knows at least one entrepreneur who started a business in the past 2 years	***	45%	32%	2017-2020

Difference statistically significant: \* at p-value<0.10, \*\* at p-value<0.05, \*\*\* at p-value<0.01

Source: Authors estimations based on merged GEM APS 2018-2021 surveys.

Note: Reference years differ because some attitude questions were only added from 2018.

Table A3. Share of entrepreneurs within two groups defined by foreign experience, by type of entrepreneurship, in 2017-2020, %

		% in Return migrants	% in Non-migrants
Total Early-stage entrepreneurial Activity (TEA)	***	21%	10%
<i>Nascent</i>	***	14%	6%
<i>New</i>	**	7%	4%
Employee Entrepreneurial Activity (EEA)	***	8%	6%
Established Business Owners (EBO)		10%	10%
E (TEA+EBO+EEA)	***	37%	25%
Business Discontinuation	***	2%	1%

Difference statistically significant: \* at p-value<0.10, \*\* at p-value<0.05, \*\*\* at p-value<0.01

Source: Authors estimations based on merged GEM 2018-2021 surveys.

Note: N=2129 for this section (only respondents who are involved in any kind of entrepreneurship).

E is smaller compared to the sum of TEA+EEA+EBO because a person might be, for example, an intrapreneur and an established business owner simultaneously]

Table A4. Motivation for entrepreneurship and aspirations

			% in Return migrants	% in Non- migrants
Opportunity driven	Involved in opportunity early- stage entrepreneurship		66%	62%
Necessity driven	Involved in necessity early-stage entrepreneurship	*	8%	12%
Growth	Expects more than 5 new employees in the next 5 years	**	48%	35%
Exporting	Export orientation (>25%)	*	43%	36%
Innovations	product is new to all or some customers	*	45%	33%
	few/no businesses offer the same product		50%	49%
	Hi-tech sector		6%	3%

Difference statistically significant: \* at p-value<0.10, \*\* at p-value<0.05, \*\*\* at p-value<0.01

Source: Authors estimations based on GEM 2018-2019 survey (2020-21 data does not allow to compute the respective indicators).

Table A5. Logistic regression model of the main factors influencing being an entrepreneur

				<i>EXP (B)</i>	
	<i>B</i>	<i>Sig.</i>	<i>Exp(B)</i>	<i>Lower</i>	<i>Upper</i>
Female	-.064	.931	.938	.222	3.972
<b>Age</b>	-.088	.003	.916	.863	.971
<b>Lengths of stay abroad</b>	.576	.070	1.778	.954	3.314
<b>Household income</b>	1.045	.019	2.844	1.186	6.819
Latvian	.517	.575	1.677	.275	10.227
Russian	1.070	.285	2.916	.410	20.760
Reason for living abroad was education	-1.629	.293	.196	.009	4.094
<b>Has accumulated savings abroad</b>	1.536	.020	4.647	1.273	16.963
Secondary education	-.177	.739	.838	.295	2.377
<b>Risk averse</b>	-1.609	.006	.200	.063	.636
<b>Failure to spot opportunity</b>	-1.385	.014	.250	.083	.757
<b>Failure to act</b>	-1.544	.006	.213	.071	.638
Network	.798	.148	2.221	.754	6.543
<b>Entrepreneurial skills</b>	2.729	.000	15.316	3.605	65.070
Innovativeness	-.524	.350	.592	.197	1.778
Foresight	.873	.146	2.395	.739	7.764
Social orientation	-.336	.633	.714	.179	2.843
Qualified work abroad corresponds to education/qualification	-.802	.319	.448	.092	2.174
Qualified work abroad not corresponding to education/qualification	-.472	.508	.624	.154	2.519
COVID years	-.370	.494	.691	.240	1.992
Constant	-2.080	.315	.125		
Nagelkerke r-2	0.638				

Source: Authors' calculations based on GEM 2019-2021