Example of labor mobility affecting human capital in developing countries researc...

[Literature](), [Russian Literature]()

Labor force is an important tool in the growth of an economy as it is a factor influencing the growth. The usefulness of the labor force of a country depends on various issues. These issues affect the importance of the labor force to the country. The level of education is an important tool in the definition of the labor force of a country. The level of education creates clear demarcations between skilled and unskilled labor. The higher the skills a particular person has the more useful he is to the growth of the economy. Labor mobility arises due to the increase in the skills that a particular labor force possesses. The quality the labor provided by the group determines the level of mobility in the economy. Labor mobility is a highly important issue in the analysis of the quality provided by a particular labor force. The higher the rate of mobility the higher the quality of the workforce . In the developing countries however, the situations are different. Since the economy is not that developed, highly skilled workers tend to migrate to developed countries as they seek higher pay. The migration has negatively affected the developed countries as they no longer are able to nurture quality workforce without the fear of brain drain from the superior countries. The paper analyzes the different ways through which human capital can be analyzed, its importance to the economy and the relationship between human capital and labor mobility particularly in the developing countries. There are different ways through which labor mobility affects the output rate of a country. Labor mobility exists in different ways. There is geographical mobility where a worker is different geographical locations. On the other hand, occupational mobility refers to the ability of a worker having skills that enable him the opportunity of working in different occupations. There are both positive as well as negative effects of labor mobility in the developing countries. For instance, geographic mobility has several advantages that are attributed to it. Geographic mobility increases the supply of labor. When more laborers migrate, there is an increase in the amount of labor supplied into the labor market thus the market will not have a deficiency of labor (Ogunade 12). Geographic mobility can also increase the productivity of an economy. The increase of more laborers in the labor market gives the employers the chance to choose highly skilled workers and push out the unskilled workers. The increase of the skilled workers increases the productivity of the firms and the growth of the economy in general. However, the increase in labor supply can also be catastrophic in that as more workers enter the economy, the demand for labor will be static and the result is wage rates being decreased (Ogunade 15). The welfare of the worker is thus compromised. Geographic mobility also results in increase in unemployment rates. The highly skilled workers will displace the lowly skilled workers in the labor market. The numbers of the unskilled workers will thereby increase thus increasing the unemployment levels. The other reason is that, there will be more workers than the number of jobs available.

On the other hand, occupational mobility increases the supply of labor in particular countries. The laborers will have the ability to switch from one industry to another depending on the ability of a particular industry to meet the demands of the worker. Occupational mobility allows different industries to grow differently (Ogunade 17). The level of growth in an industry will depend on the number of workers that are getting in the industry and how they help the industry. However, occupational mobility lowers the minimum wage rates since the labor supply will be increased. In general, labor mobility helps both the worker and the economy of the country. The worker is given the chance to improve his welfare through taking different trainings or increasing the level of education and being able to increase his welfare through searching for better high paying jobs (Abella 12). Labor mobility helps innovative industries grow and thus the economy of the country can be improved through the increase of the GDP raised by the developing industries.

The level of education is critical in deciding how human capital of a country can be developed. Different countries have different methods of investing education with the hope of receiving benefits from the human capital in the country. There are different ways through which investing in education improves the human capital and the economy of the country at large. The investment in education involves an initial cost that is incurred during the training period as the workers cannot work. However, the firm doing the training hopes to gain from the same in the future. Investments on education are beneficial to both the individual and the firms together with the economy at large. According to tests that have been conducted by researchers, increase in education has resulted in significant wage advantages to individuals (Blundel, Dearden, Meghir, and Sianesi 14). The advantage is realized both before deducting the cost of education as well as after deducting the cost of education. If the education is received in terms of employer-provided trainings, the effects have been the same. The returns have included higher earnings when compared to the people who received less or no training at all. Apart from improved earnings, there are other benefits to the individual when the level of education is raised. For instance, trained workers have very few chances of changing or quitting jobs due to the increased pay (Blundel, Dearden, Meghir, and Sianesi 15). They are also subject to promotion in the work place and this cements their place in the firms. Trained workers are also less likely to experience unemployment spells as different firms search for the skilled workers. The human capital is depended on three main pillars; early ability, qualifications as well as knowledge. Education improves all the sectors of the human capital thus improving the quality of the human capital.

There are also returns to employers whenever education is invested in the workers. Employers tend to partially or fully contribute to the training of the workers in the hope that they benefit in the future. There are different ways from which the employers benefit from the increased training on the employers (Blundel, Dearden, Meghir, and Sianesi 17). In developing countries, the employers offer trainings in the hope that the improved labor will improve the level and quality of productivity. In the long-run, the companies that engage in creating trainings for their employees benefit through improved quality of output. Even though there are few known methods to measure this, several companies have been used as case studies where the results have shown increased productivity, increased profitability as well as increased competitiveness in the market. The results of investing in education favor the firms too.

There are returns to the economy that are experienced from increased investment in the educational sector. The existence of the high rates of returns provides an incentive to the individuals to invest in the human capital. Some of the benefits of increased educational investment include the increase of the percentage of literacy levels. The higher the levels of literacy the higher the participation will be in democratic institution as well as an increase in the social cohesion of the country (Blundel, Dearden, Meghir, and Sianesi 19). There are also studies that show that the increase in levels of education of certain workers leads to the improvement of the lowly educated workers since the educated workers teach the lowly educated workers. The resulting effect is the increase in the growth level of the economy from the increased returns in the individuals' income as well as higher productivity among the firms.

There is a major issue that has been seen in the developing countries. Developing countries have serious issues in terms of decreased human capital due to brain drain. Brain drain is the tendency of highly skilled workers as well as highly capable students migrating from their institutions or countries to go and receive education and work in other foreign countries especially the developed countries. There are several reasons that are attributed to the movement of the highly skilled individuals. The level of education and technological improvement in a country determine whether there will be the mass movement of the highly skilled individuals or not (Fan, and Stark 635). There are policies that are developed by different countries that do not favor the growth of the skills of the highly skilled people. These policies such as high tax rates discourage the highly skilled people who find seeking higher returns from developed countries more advantageous (Beine, Docquier, and Rapoport 632). The net effect is the movement of the people to developed countries as they seek to improve the nature of their skills. The movement of people from the developing countries to the developed countries hinders the process of human capital formation. The presence of the highly skilled individuals helps in the formation of more creative and able workers (Drechsler, and OECD Develoment Centre 04). It is through the highly skilled individuals that the developing countries have hopes of increasing their productivity from through the development of highly skilled human capital and eventually increasing the economic growth rate of the country. If the human capital formation process is compromised, the developing countries stand to lose in the quest for improvement in the levels of development.

In conclusion, the level of human capital is essential in the growth of an economy and in the improvement of the workers too. The quality of the human capital is highly depended on the level of education or training that a worker goes through. The level of education determines how the quality of the labor being offered by the worker will increase. There are major issues such as labor mobility and brain drain that have been critical in the evaluation of the quality of human capital and the process of human capital formation. Labor mobility and brain drain have more negative effects to the process of human capital formation. However, the internal labor mobility helps the different internal industries through the integration of different forms of the labor. There is overall increased economic growth from labor mobility when the migration is internal. When it is international, the countries lose human capital and it slows their dreams of achieving improved human capital.

Works Cited

Abella, Manolo. " Effects of Labour Mobility: An Analysis of Recent International Development Literature." The international indigenous policy journal 4. 3 (2013): n. pag. Web.

Beine, Michel, Frederic Docquier, and Hillel Rapoport. " Brain Drain and Human Capital Formation in Developing Countries: Winners and Losers." The Economic Journal 118 (2008): 631-632. Web.

Blundel, Richard, Lorraine Dearden, Costas Meghir, and Barbara Sianesi. " Human Capital Investment: The Returns from Education and Training to the Individual, the Firm and the Economy." Fiscal Studies 20. 1 (1999): 1-23. Web.

Drechsler, Denis, and OECD Develoment Centre. " International Labour Mobility: Opportunity or Risk for Developing Countries?" Policy Insights 69 (2008): n. pag. Web.

Fan, Simon C., and Oded Stark. " The Brain Drain, 'Educated Unemployment', Human Capital Formation and Economic Betterment." Economics of Transition 15. 4 (2007): 629-660. Web.

Ogunade, Adeyemi O. Human Capital Investment in the Developing World: An Analysis of Praxis. University of Rhode Island, 2011. Print.