

# Motives of the international skilled labor migration economics essay



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The labor force of any country is an essential determinant of the economic development and progression that a country makes; a country like China, which was merely a developing country, has now become the fastest growing economy in the world. Chinese products flood the World export markets with no real competition. All this has been possible for the Chinese because they captured the potential of their labor market and sought to actualize this potential.

The quantity and quality of labor is hence, an imperative feature of development. Labor is considered as one of the most important factors of production, as the right combination of skilled and unskilled labor, when teamed up with capital and land, can turn the tables in international trade and development.

In today's era, where international trade plays an important role, geographical boundaries are smudging as the exchange of resources between countries increases. In this era, the international migration of labor gains importance, as workers search for and avail new opportunities by migrating to foreign more developed countries.

The international migration of skilled labor is an important concern for developing countries today. This important phenomenon has both positive and negative implications; the most profound negative implication is brain drain, which has been the topic of many debates.

However, the positive implications are equally important and comprise of exchange of talent, expertise, skills and even a brain gain.

This thesis analyses not only the positive and negative impacts of international labor migration, but it also attempts to analyze the opportunity costs associated with the motives of labor migration. An attempt has thus been made to work out what motivates or attracts individuals to migrate abroad, despite the opportunity costs they incur on such a movement.

This opportunity cost includes the closeness to one's family, cultural and traditional ties that one will lose contact with if they move abroad and also the job opportunities in Pakistan that a migrant foregoes by migrating abroad.

Keywords: Human Resource Development, Brain Drain, Brain Gain, Network Effects, International Migration of Labor, Motives, Opportunity Cost, Human Capital Formation

Table of Contents

## **Chapter One:**

### **1. 1 An Overview of Rural-Urban Migration and the International Migration of Labor from Pakistan: Historic Evolution**

Migration has played a significant role throughout the history of Pakistan. The relevance of migration in the history of Pakistan can be traced all the way to 1947, the time of inception of this country, whereby millions of people of all ages moved from India to Pakistan, hoping to make their lives better economically, socially and religiously.

In what can be referred to as an extension of this attempt to make life more comfortable and improve the standard of living, the masses also started an internal migration from the rural to the urban areas. Approximately 32 percent of all Pakistanis lived in urban areas, with 13 percent of the total population living in three cities of over 1 million inhabitants each—Lahore, Faisalabad, and Karachi, by 1994.

Rural-urban migrations usually see an influx of male migrants to urban areas more than families or females alone. Initially, migration is often seen as a temporary expedient, for the purpose of earning money to purchase land or pay off a debt only. In such cases, migrants frequently send back remittances to their home, and often return to their village to lend a hand during the agricultural peak season. The decision for any migrants to eventually bring their wife and children to the city is thus, an important landmark in the migration progression, as it marks the time when the rural-urban migration becomes permanent as opposed to just a temporary movement.

Another important development that began in the 1970's, when Pakistan faced a severe balance of payments deficit, is the migration of both skilled and unskilled labor to urban hubs in foreign countries, especially the Middle East due to its abundance in oil, which provides for numerous employment opportunities. At this time, a construction boom was at its peak in the Gulf States, because of which there was a girth for laborers. The then Government, under Zulfikar Ali Bhutto, seized this opportunity and encouraged the migration of Pakistani labor to these rich countries. The

establishment of a program under the Ministry of Labor, Manpower and Overseas Pakistanis was witnessed to meet this end.

It is estimated that by the mid-1980s, an approximate figure of 2 million Pakistanis were in the Persian Gulf states. This comprised the largest group of foreign workers. The remittances sent back to Pakistan by these temporary migrants amounted to more than US\$ 3 billion per annum, which was almost half of the country's foreign exchange earnings at the time. However, new opportunities for employment began decreasing by the year 1990, and the Persian Gulf War in 1990 and 1991 pushed many Pakistanis back home.

The profile of the migrants comprises vastly of men who leave their families behind. The opportunity cost of this movement, hence, includes closeness to family and the time the migrant would have spent with family if he had not migrated. These migrants typically return to Pakistan after working abroad for half a decade or so. However, there is another class of migrants that move towards developed countries along with their families and with no intention to come back to Pakistan. This class contributes the most to the brain drain faced by Pakistan.

## **1. 2 International Migration of Labor as the Brain Drain of Talent of Pakistan**

International emigration of skilled labor from a country results in brain drain, which refers to the loss of expertise, intellect, skills and very importantly, talent that a source country suffers from when highly talented, skilled and intellectual individuals migrate to a different country. Brain drain is one

obvious impact of the international movement of labor, and has popularly been the topic of many debates and studies.

Pakistan's Overseas Employment Corporation has officially estimated that over the last thirty years, an alarming 36, 000 professionals, comprising of engineers, doctors and teachers have migrated from Pakistan to developed countries. Additionally, it is important to keep in mind that if one accounts for unregistered emigrants, (which comprise a majority of the migrants) this number will in fact turn out to be an underestimation of the actual figure.

It is estimated that around 35000 medical college graduates in Pakistan are left jobless every year. These students do not have much of an option other than to migrate to a different country. This shows that inadequacies in the Pakistani system and lack of opportunities result in brain drain as fresh graduates and young workers cannot find the types of jobs that they are looking for, or jobs at all.

However, interestingly, a more recent addition to the knowledge regarding international movement of labor has been in the form of a term coined as brain gain. This refers to when labor gains skills, education and expertise from a foreign country temporarily and returns to his/her home country, thus broadening the intellectual base and talent that the source country possesses.

Keeping this in mind, it is important to point out that the debate between whether migration is the brain drain of talent, or healthy circulation of talent is very relevant. When viewed as the brain drain, the international migration of labor has disastrous impacts that drain the skills and talent of a country

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such as Pakistan. However, when viewed on a macro global level and seen as the circulation of talent, then international labor migration actually has important, profound consequences, which lead to an increase in the global talent base, expertise and skills. International labor migration has both advantages and disadvantages, but since this thesis evaluates the opportunity cost analysis of skilled labor migration, emphasis will be placed on the brain drain or disadvantages of labor migration in order to assess the loss of talent faced by Pakistan. Another point that needs to be given due importance besides the costs that a country faces when its talented employees migrate to another country is the importance of the opportunity costs that individuals themselves face when they make a decision to migrate abroad; closeness to family, cultural ties and social affiliations, among others, all play a role in this regard.

It is necessary to highlight at this point that many of the skilled migrants of the World, who move to developed countries seeking better working opportunities and pay scales, acquire their education before they decide to migrate, or actually migrate. So, these individuals study at colleges and universities in their country of origin. Education in many developed countries is usually subsidized. When these individuals then migrate to more developed countries, they in effect, transfer the benefits of their subsidized education to the host country that they migrate to. Thus, in this way, value is transferred from developing countries to developed countries at the expense of developed countries.

### **1.3 Areas receiving potential Impact of the Brain Drain of Talent**

A number of developing countries, especially in the South Asian states, suffer immensely from brain drain; countries ranging from India to the Philippines to Thailand, all suffer from brain drain.

The two provinces of Pakistan that has been worst hit by brain drain are Punjab and Khyber Pakhtunkhwa. Migration from Punjab comprises of both skilled and unskilled labor movement, whereas that from Khyber Pakhtunkhwa comprises more of unskilled workers than skilled ones. Many merchants from Khyber Pakhtunkhwa make frequent trips to developed countries to buy and sell merchandise, but since these are visits as opposed to migrations, such movement will not be included within the scope of this thesis.

The migration of labor from Sindh and Baluchistan is mostly from developed cities such as Karachi and Quetta respectively. However, a number of individuals migrate from the rural areas of Pakistan as well, areas such as Bannu, Dir, and Attock, among numerous others, contribute heavily to the international migrants from Pakistan to different destinations in the world; however, most of these migrants from rural areas are unskilled, whereas this thesis focuses on skilled labor migration primarily.

### **1.4 Growth versus Equity, Arising Inequalities and Economic Regression in late 60's**

The urban population within Pakistan increased fourfold, or quadrupled, from 1951 to 1981. The annual urban growth rate in the 1950s and 1960s has



been estimated as to have been greater than 5%. This figure dropped slightly in the 1970s to 4.4 percent.

So, interestingly, in the beginning of the 1960's the economy of Pakistan was doing very well, it in fact became to be seen as a developmental model by many countries. Karachi became a stereotype example that other developing and growing economies aspired to become like. South Korea actually emulated Karachi's second successful "Five-Year Plan".

However, this model growth was short lived and as war with India broke out in 1965, coupled with economic and fiscal mismanagement, the economy began slowing down as the public debt owed increased by many folds. To make matters worse, when Pakistan lost Bangladesh in 1971, the economic situation deteriorated further, and the country almost went into recession.

Therefore, the growth that had been made thus far, was not sustainable growth that would last for many years to come. At this point, it became important to differentiate between sustainable growth which led towards long-term equity for the country and short lived success stories.

## **1.5 Wage Differentials, Cultural Absorption Capacity and Motivation of Migration**

Wage differentials are a global phenomenon. Wages tend to differ from industry to industry. Three formalized facts defy the customary theories of wage differentials: (i) temporal stability of wage structure; (ii) countries at varying steps or benchmarks of economic development tend to have wage structures akin to each other; (iii) general differences in pay in different

industries. Some industries are higher payers overall, whereas wages in other industries are lower for all employed.

Likewise, some countries generally pay higher wages than other countries. Workers in the USA, for example, earn much higher wages, on average, than workers in Pakistan even if both workers are employed to do the same job. This incentivizes skilled labor to migrate abroad in order to earn better than they would in Pakistan, hence it increases the motivation of labor to migrate abroad and also reduces the opportunity cost of moving abroad by increasing the economic benefits of international migration for Pakistani workers.

The cultural absorption capacity refers to the ease with which an individual or individuals can adapt to a new culture and get settled in a new place. When the cultural absorption capacity is high, the motivation to migrate will be high as well. Hence, both variables are positively correlated.

However, it is essential to realize that an individual's cultural absorption capacity might actually be different than what they assess it to be. During the initial stages of this thesis, a questionnaire was conducted whereby respondents answered various questions in order to determine the factors that influence international labor migration from Pakistan. Most respondents, in fact 19 out of 30, which is 63% of the respondents, claimed they have a cultural absorption capacity of at least 3 out of 5. It is essential, however, to point out that this is what respondents feel their cultural absorption capacity would be, without any prior experience to make an accurate assessment beforehand in most of the respondents' cases. It is thus, essential to

differentiate between an individual's willingness or likeliness to migrate abroad and whether or not such willingness is backed by substantial steps such as applying for a visa to a foreign country and seeking a job in a more developed economy.

When the cultural absorption capacity of individuals is high, their motivation to migrate will also be high; whether or not this motivation will be backed by any actual substantial steps, on the contrary, is a different story.

## **1. 6 Political Victimization, Political Asylum and the Incidence of International Migration**

Political victimization refers to when a person is discriminated against and even tortured for having certain political beliefs. Victims of political victimization often seek political asylum to a country they deem safer; the country so chosen is mostly America.

A target of political victimization can express their discontentment with the political system through a number of ways. These include clear-cut resistance, specified neutrality, silence or not agreeing to enter the military service. When an individual decides to take such a stance, they are usually subject to victimization by the government or associates of the government. In order to flee such victimization, or the fear of such victimization, individuals apply for political asylum.

In order to be granted political asylum resulting in the incidence of international migration, an individual has to prove they are a refugee who is indeed subject to political victimization. It has to be proved that if an

individual would stay in their home country, their life, property and well-

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being would be at threat. In order to establish this fact, law cases are filed in many circumstances. If it is proven that an individual is indeed at threat in his/her Home Country, s/he is granted political exile, which results in international migration.

### **1. 7 Terrorism, Sense of Insecurity: Recent Evidence**

Terrorism which results in a rising sense of insecurity is a much more frequent occurrence in developing countries than developed countries. Although it would be incorrect to say that there is no terrorism in developed countries at all, this occurrence is much more common in developing countries such as Pakistan.

If one looks specifically at the case of Pakistan, the population has increasingly been subject to terrorist attacks comprising of suicide attacks, bomb blasts, ambushes, target killings, casualties caused during military operations, attacks on security forces and drone attacks in the tribal areas sharing a border with Afghanistan.

According to reports published in January 2011, as many as 4, 700 people were killed in terrorist attacks in only the first ten months of the year 2010 in Pakistan!

All of these occurrences result in a rising sense of insecurity among the people. This insecurity motivates individuals and families to move abroad to safer, more peaceful localities. It is therefore, an important contributor to the motivation of international migration from Pakistan.

An unfortunate observation is that although Pakistanis fear for the safety of their own lives and property enough to migrate to another country, there is little or nothing being done on a national level to fight this unexplainable increase in terrorist activities.

## **1. 8 Keywords and Definitions**

Human Resource Development:

“ The part of human resource management (HRM) which specifically deals with training and development of the employees. HRD would include training an individual after he/she is first hired, providing opportunities to learn new skills, distributing resources which are beneficial for the employee’s tasks, and any other developmental activities.”

Brain Drain:

“ the international transfer of resources in the form of human capital and the migration of relatively highly educated individuals from developing to developed countries.”[1]

Brain Gain:

“ a possible positive effect of skilled migration on the origin country.”

Network Effects:

“ Growth-enhancing technology transfer, trade and foreign direct investments between the source and the host country”[2]

International Migration of Labor:

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“ when workers leave their home country to work in another country either permanently or temporarily.”

Motives:

“ A reason for doing something, esp. one that is hidden or not obvious”

Opportunity Cost:

“ The loss of potential gain from other alternatives when one alternative is chosen”

Human Capital Formation:

“ an increase in the quantity and/or quality of human resources.”[3]

## **1. 9 Study Objectives**

Does Foreign Education Willingness for Children have a significant impact on the Motives of International Labor Migration?

Do Financial Costs of Migration Process have a significant impact on the Motives of International Labor Migration?

Does Satisfaction with Family Income have a significant impact on the Motives of International Labor Migration?

Does Cultural Absorption Capacity of Family have a significant impact on the Motives of International Labor Migration?

## **Chapter Two: Literature Review**

### **2. 1 International Gaps, Spreads and International Migration of Labor from Developing to Developed Countries**

The developing countries of the World, including Pakistan, fall significantly short of developed countries in many ways. There is the presence of international gaps, which quantify and assess the differences between measures of developed and developing economies.

Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor discussed that a chunk of developed countries are becoming diversified in terms of ethnicity and culture, as people from the developing countries migrate to them.

Hatton and Williamson propounded how the poverty in the world impacts the level of migration around the world. This goes to showing that the international migration of labor, which is basically caused due to international gaps in income, standard of living, job opportunities etc. in effect results in a decrease in these gaps due to the exchange of labor. However, since the emigration of labor results in brain drain, it is true that the world supply of talent increases, but as talented individuals from developing countries migrate to the developed world, the gaps between the developing and developed countries increase in effect.

#### **2. 1. 1 Income Gaps, Disparities and Migration Incidence**

A study by the World Institute for Development Economics Research at United Nations University points out that 40% of the world's assets were owned by the wealthiest 1% individuals of the world. The most affluent 10% of the world population owned an astonishing 85% of all the assets in the

world. The richest 1% of adults alone owned 40% of global assets in the year 2000, and that the richest 10% of adults accounted for 85% of the world total. The poorest half of the world adult population owned a meager 1% of wealth globally. This shows the disparity in the world income.

Like it has been aforementioned, income gaps are an important motivator for international labor migration. Numerous workers seek to migrate to more developed countries in an attempt to cover the income gaps between developed and developing countries.

Michael P. Todaro pointed out that there is a vast pool of unemployed workers in the urban hubs of the developed parts of the world, comprising of both local labor as well as people who have migrated from developing countries. In such a situation, Todaro laid emphasis upon the “ expected” rural-urban wage differential, as opposed to the actual, since this will result in influencing the motives of skilled and unskilled workers.

## **2. 1. 2 Socio-Cultural Norms, Social Insecurities and Benefits: Comparative View**

Socio-cultural norms or practices make up the culture of a society. The customs of a society give an individual a sense of belonging, a feeling of completion and a certain security. (Miyagiwa, K, 1991)

Phillip Kane pointed out that when an individual decides to move abroad, they need to adapt to different socio-cultural norms that affect their everyday life both positively as benefits and negatively as social insecurities.

For instance, as Kane pointed out, the consumption of alcohol at social gatherings in a new country might make a migrant feel socially insecure,

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since it is a new situation for the migrant with which s/he is not accustomed. On the contrary, better health facilities are seen by many as a benefit. Kane pointed out that such benefits also include better job opportunities, as well as a sense of moral obligation, which is generally higher in developed countries than developing countries.

### **2. 1. 3 Political Development, Protection and Social Harmony: Cross Country Evidence**

Across countries, one can see that individuals in developed countries on a general scale have more harmony amongst themselves. This is because political stability and a feeling of protection lead to more peace and harmony.

However, Zackari pointed out that this is not always the case as despite political stability, there are times when even developed countries lose their harmony in the sense that different sects of people who belong to different beliefs will be at conflict with each other. An example is post 9/11 when American Muslims were imprisoned without a proper trial and even kept at places such as Guantamo Bay; even regular Muslims were discriminated against on a wide scale. (Zackari)

But, it can be observed that as a country develops politically, the social harmony within the country tends to increase, a sense of security is created and there is generally more peace. (Rapoporta)

## **2. 1. 4 Educational Gaps and the Intent of Migration**

More than 60% of the population of most developing countries is illiterate. However, the intent to migrate is found high in that part of the population that is educated and has acquired higher education. (Dustmann, C)

WJ Carrington points out that when educational gaps decrease, the intent to migrate rises, as the educated workers in developing countries pursue better job opportunities in more developed countries. Thus, in effect while a decrease in the educational gap in developed and developing countries is an advantage, the resulting brain drain is a disadvantage.

## **2. 2 International Migration of Labor as Brain Drain of Talent: Gross Country Evidence**

Pakistan's Overseas Employment Corporation reports officially that over the last 30 years, around 36, 000 professionals, comprising of engineers, doctors and teachers, have migrated to other countries.

Talha Naushad postulates that this figure is an understatement as it does not account for unregistered emigrants.

A similar trend is seen in other South Asian countries. The world's largest exporter of doctors is India to such a large extent that the ratio of Indian doctors to American nationals in USA is 1: 325, whereas the ratio of Indian doctors to Indian nationals in India is an astonishing 1: 2400. (Ahlburg, D). Therefore, one can observe that the ratio of Indian doctors is higher in the US than in India itself.

## **2. 3 Migration, Remittances and Economic Growth**

Although brain drain is one hazardous impact of international labor migration, the fact that migrants send remittances back home is one huge advantage.

J Bhagwati contemplated that developing countries like Pakistan develop economically based on the remittances migrants send back home.

F Docquier wrote a paper in which he discussed that the economy of Pakistan reaped the advantages of remittances sent in the 1980's by the thousands of migrants who were working in the Middle East. This contributed hugely to the economic growth and development of the country.

If money from remittances were to be properly utilized, it could drive the country out of its debt trap. (Callahan, J). However, this seems to be a factor that the Government is ignoring.

## **2. 4 Socio-Cultural Effects of Mass Migration**

One profound consequence of the mass migration resulting in brain drain is that women take over a lot of responsibilities that were usually the forte of the men.

M. Usman highlights that this changes the social structure of the economy and has socio-cultural effects that are long lasting, as women assume the role of decision-makers in the household, whereas the role of the men is limited to earning bread and sending home money alone. This development tends to lead to a sense of loneliness and alienation for the men, as they feel

left out of important familial decisions, due to geographical differences and their involvement with work. (Usman, M)

## **2. 5 Political Outcomes of Mass Migration**

Mass migration changes the social and political fabric of society for good as members of society leave the country to get settled in other countries.

One positive impact of the mass migration, as Z Iqbal highlights is the representation of Pakistanis as a hard working nation that is peaceful, as opposed to what media propagates it to be. This is especially important when skilled labor migrates.

Thus, it can be observed that mass migration has the potential to change the image that is associated with a certain nation or people; this can be both positive and negative. (Brown, K)

Another impact, which is negative, is that as the skilled labor force emigrates, political involvement and participation falls, as lesser people are left behind to vote, hence, fewer people vote. As a consequence, the political power of the nation is concentrated in the hands of those left behind, which comprise to a large extent of unskilled, uneducated people with little political know-how. This is hazardous to any nation politically. (Iqbal, Z)

## **Chapter 3: Methodology and Analytical Choices**

### **3. 1 Framework of Analysis**

### **3. 2 Statement of Research Hypotheses**

1. Whether Foreign Education Willingness for Children affects Motivation of labor migration significantly or insignificantly:

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$$H_0: \hat{\beta}_1 = 0$$

$$H_1: \hat{\beta}_1 \neq 0$$

2. Whether Financial Costs of Migration Process affects Motivation of labor migration significantly or insignificantly.

$$H_0: \hat{\beta}_2 = 0$$

$$H_1: \hat{\beta}_2 \neq 0$$

3. Whether Cultural Absorption Capacity of Family affects Motivation of labor migration significantly or insignificantly.

$$H_0: \hat{\beta}_3 = 0$$

$$H_1: \hat{\beta}_3 \neq 0$$

4. Whether Satisfaction with Family Income affects Motivation of labor migration significantly or insignificantly.

$$H_0: \hat{\beta}_4 = 0$$

$$H_1: \hat{\beta}_4 \neq 0$$

### **3. 3 Elements of Research Design**

This is a pure research. The main aim of the author is to extend knowledge that already exists in this discipline. The model regression in this paper is an indigenous piece of work; the study setting is natural.

The Variable titles and their definitions:

**Dependant variable:**

Motivation of Migration: This is a variable that attaches an ordinal numerical value to the motivation of individuals

**Independent variables:****Cultural Absorption Capacity:**

This variable assesses the ease with which an individual or individual(s) can adapt in a new culture with different socio-cultural practices. An ordinal scale of -5 to +5 has been attached. There is a positive correlation between cultural absorption capacity of family and motivation of migration. This means that when the cultural absorption capacity of a migrant and his family is high, meaning it is easy for them to adapt to a new culture, their motivation to migrate will be high and vice versa.

**Financial Costs of Migration:**

On a scale of -5 to +5 financial costs of migration refer to the costs of migrating and applying for migration. The correlation with dependent variable is negative, thus when the costs of migration as perceived by the migrant rise, their motivation to migrate, or apply for migration even, will fall.

**Foreign Education Willingness for Children:**

On an ordinal scale of -5 to 5, this variable assesses the willingness of a migrant to educate their children in a foreign country; when a migrant attaches a high foreign education willingness for their children, their motivation for migration will rise.

### **Satisfaction with Family Income:**

On an ordinal scale of -5 to 5, this variable measures how satisfied a respondent is with their family income. If satisfaction is low, motivation will be high since the respondent will be willing to move abroad to increase their family income.

### **3. 4 Data Collection Preferences**

Since this is a cross-sectional analysis, all data has been derived from an indigenous questionnaire that was made and floated for the purpose of this thesis exclusively. The questionnaire can be found in the appendix.

### **3. 5 Elements of Research Design**

Type of Research:

Pure Research

Study Setting:

Natural

Nature of Data:

Cross-Sectional Data

Reference Period:

2010/2011

Data reliability and Sources of Potential Bias:

Sin

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