

# [Introduction (oecd) countries since the 1980s. it’s meant](https://assignbuster.com/introduction-oecd-countries-since-the-1980s-its-meant/)

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IntroductionThe current wave of economicglobalization has unlocked a window of opportunity for human resource toagglomerate where it is best rewarded and yet already in abundant, i. e., incountries which are advanced economically. The tendency has been enhanced by the steady introduction of selectivepolicies of immigration in many Organizations for Economic Cooperation andDevelopment (OECD) countries since the 1980s.

It’s meant to improve immigrants’quality in various developed nations, but over the years it has changed into aninternational rivalry.  The countriescompete in attracting the skilled people among the developed countries.  Whereas the export/GDP ratio of the world hasamplified by 51 percent between 1990 and 2000 (Docquier and Rapoport 2004), theaggregate number of individuals who are foreign-born individuals who reside inthe Organizations for Economic Cooperation and Development countries hasincreased with the same margin (51%) over the same period. A figure that riseto 70 percentage points for migrants who are highly skilled against a 28percent point for the migrants who are considered to be lowly skilled (Docquierand Marfouk, 2004).

What are the significances of flightof the human capital for the developing (sending) countries? In a perfect worldof competition, the free mobility of labor resources would seem to be Pareto improving: the labor migrant would receive incomes which are higher and the natives in thecountries receiving the immigrants can share the surplus of immigration. Moreso and the residents in the sending countries can profit from the increase inlabor/ land and labor/ capital ratios. However, when the highly –skilledmigrant are involved, such movements generate other issues which have to be putinto consideration. These factors are: – First, the skilled laborers arecrucial contributors of the budget of a particular government, and thereforetheir departure causes an increase of the fiscal burden on the residents leftbehind (budgetary externality). Secondly, the unskilled and skilled laborerscomplement each other in a more productive process.  If there is abundant of unskilled labor andscarcity of skilled workers as in the case of the developing countries, themigration of skilled labor may cause an impact which is substantially negativeon the productivity and wages of the low skilled workers (intergenerationalspillover) and lead to an increase of domestic inequality. Third, the depletionof human capital through emigration may see, to have a negative impact on thegrowth prospect of a country, since the formation of human capital is viewed asan engine for growth (intergenerational spillover). Fourth, as shown in some economicframeworks, skilled capital is instrumental in attracting foreign directinvestment (FDI) and Research and development expenditures (technologicalexternality).

Thus, human capital mobility will contribute to the concentrationof economic activities in locations which attracted the concentration ofskilled labor at the expense of regions of origin (Fujita et al., 1999). On the other hand, migration of the highly skilled may cause positive feedback effects since theskilled emigrant will continue to affect the first country economy.  Such possible feedback that is consideredpositive includes the remittances by the migrants, the return migration afteracquiring more skills from abroad, and network creations which facilitatescapital flows, trade, and diffusion of knowledge. Given the involvement of manychannels evaluation of the precise effect of skilled labor migration (the braindrain) for the countries of origin of the emigrants is a complicatedendeavor.

Until recently, empiricalattempts to explain the impact has been hindered by lack of data that isinternationally harmonized data migration by country of origin and level ofeducation. In the absence of such literature review, the ongoing debate hasremained exclusively theoretical. In last two decades, there has been anupsurge in the extent of brain drain. In the subsequent sections, the articlewill discuss the magnitude of brain drain as well as provide estimates on themobility of skilled workers in the international front. Then it will providetheoretical arguments of the “ old” and “ new” literature on brain drain byreviewing early literature in brain drain and contrasting it with most recentmodels. Then the writer will discuss the various channels that the skillfulmigrants may impact their countries of origin after living (return migration, networks, and remittances). Thereafter the author will take a position throughthe conclusion about on the debateRecent Global Trends inBrain Drain The United States and OECD countries haveexperienced an upsurge in the number of skilled migration.

Highly Skilledindividuals are classified as those who have attained the tertiary educationthat culminates in the reception of academic degrees, diplomas, and certificates(Zikic, 2015). The 2010-2011 censuses showed those 11. 3 million migrants or 28%of all immigrants between the ages 15-64 residing in the European Union hadachieved the status of skilled individuals which translates to a 92% increaseover a decade from 2000 to 2010. The number may somewhat be inflated given thatthe migrant within the EU also includes individuals moving between differentstates in the EU. The number of migrants doubled in Australia over the similarperiod and increased by (72%) in Canada. Contrasting figures from the UnitedStates of America shows that 11. 1 million migrants who are equivalent to 31% ofthe individual migrants in the USA have completed tertiary education, whichtranslates to only a 47% increase over the similar period.

In Europe, about 50%of all high-skilled migrants come from European Union member states while about20% come from Asia. In the United States, an estimated (45%) of the migrantswho are considered highly skilled come from Asia while (20%) come from Europe(Aure, 2013). Also, it was noted that the share of skilled immigrants into theUS from Europe is dropping while the percentage from Latin America isincreasing as shown in figure1.

Figure 1: Share of Educated migrants IN OECD aged 15-64 by region of birth               Arguments of the “ Old” And “ New” Literature Traditional View ofBrain Drain Phenomena  According to migration and developmenttheories, the brain drain from developing countries has had negative impacts onthe path of developments of a source country. By the dependence and modernization theory brain drain is regarded asthe predominant cause of under-development in the nations of migration(Panescu, 2003).  The buildup of humancapital is relevant to countries that are developing.  Brain drain condensed growth of the economyby reducing the human capital assets of a source country and by notcompensating the source country by investing in education (Panescu, 2003). As aresult, emigration can siphon excess workers, dispossess sending states thepersonnel they require as well as depriving a country the economic growth. Subsequently, while it could be beneficial to the individual, brain draindenotes a significant loss to the source countries which has invested heavilyin the training of workers.

More so, without a doubt, the migration ofspecialists and science professionals is beneficial to the destinationcountries. The approximated losses for the countries that are sourcing arethat, given the expenses incurred in the form of educational costs, the nationof origin retains fewer specialists that if not for brain drain. The losses areintensified by the fact that people with relatively high educational levelchoose to emigrate (Stalker, 2000). Brain GainHypothesis The underlying assumption of thishypothesis is the technical and intellectual elites from the developingcountries who have since emigrated represents a possible resource for thedevelopment of their home countries both socially and economically (Stalker, 2000).  Brain gain hypothesis predicts along-term effect that is positive in case of a return or the process of networkbuilding of the emigrated elite. The new theory also shows how brain drain canbe transformed into brain gain for the developing country.

And as such, braindrain is not viewed as the end of adverse development which intensifies socialand economic crises of developing countries (Hunger, 2002). Uwe Hunger states that thehypothesis of brain gain is anchored on two primary assumptions: – Firstly, allthe skilled workers who migrated from the developing countries and haveimmigrated to the developed nations can play a critical role in the course ofdevelopment of their country of origin through a transnational network andreturn migration. Secondly, it is possible to provide the emigrated workerswith adequate motivation to migrate even though they have been living away fromtheir homes in a long time and has not established contacts that are productiveto their countries of origin Summarizing the TheoreticalFrameworks The earlyliterature of the 1970s on “ brain drain” demonstrated and emphasized thenegative consequences of the migration to the original countries.

The conclusion from these studies is thatskilled emigration yields inequality specifically at the international levelwhere the countries which are wealthy continue getting wealthier at the expenseof countries that are poor. By contrast, recently published works seeks todetermine whether the common negative effects of brain drain that wasemphasized in the early literature may be offset by the likely effects whichare beneficial. The beneficial effects that arise from remittances, creation oftrade and business works, return migration and the likely incentive effects ofthe prospects of migration on the human resources formation at homeHow Skillful Migrants MayImpact Their Countries of Origin            Remittances The remittances by migrants’constitute a channel through which brain drain may produce indirect effectswhich are positive for source countries.

It is documented that the remittanceby workers often makes a substantial contribution to GNP and are incomegenerating to the developing countries. Remittance affects household’sdecisions regarding investment, labor supply, education occupation & choice(Edwards and Ureta, 2003). In a primary framewith a constant marginal utility of income, transmittals do not affect the gainof education and marginal cost, and it influences the formation of a humancapital merely when liquidity constraints are binding. For example, in a casewhere the distribution of abilities is uniform: without migration, the share of the educated amounts to cL.

. Withmigration openings, as these educated individuals leave the country, twoeffects which are opposite are observed. Initially, the persons who are trainedremaining in the state fall to CL-CM. If theemigrant’s workers remit some of their foreign income, the liquidity constraintbecomes less binding for beneficiaries in the source country. The customaryadverse effect can, therefore, be compensated by increased access to educationfor the once left behind assuming that a state is steady. Furthermore, migrants may return to their originalcountries after accumulating saving abroad and use the savings to promoteinvestment projects and entrepreneurship (Mesnard, 2004).                                                                        cM                 T+cM          cL                 T+cL     cn            co                            c Figure 2: Brain drain and remittancesNetwork Effects In theshort term, with migration that is not anticipated, emigration of workers whoare educated is a loss to the home country.

However, as time goes by cohortsadapts their decisions on education and the economy-wide average of educationpartly as in( figure 3a)  or catches uptotally with a  possible net gain in thelong run (as in figure 3b).  In thetransitional phase, additional effects are likely to come into play. Inparticular, there is Sociological literature emphasizes the creation of thenetworks by the migrants which facilitates movement of factors, goods and ideasbetween the migrant’s home and host country. Two types of systems may arise: networks that facilitate trade, foreign direct investment (FDI) and diffusionof technology and networks which enhance further migration. Existingliterature has analyzed the consequences of the establishment of the migrationnetworks on the pattern of migration. Massey Goldring and Durand (1994)developed the cumulative theory of migration where they noted that the firstmigrants are usually from the middle ranges of the socioeconomic ladder andpersons with sufficient resources to meet the risks and the costs of the trip, however, they are not affluent of the unattractiveness of foreign labor.

Friends and families then draw on the ties that they established with thismigrant to access assistance in migration and employment and hence theysubstantially reduce the risk and cost of movement to them. It increases thefeasibility and attractiveness of migration to other members, permitting themto expand through further immigration hence setting you more people who arewell connected. This migration networks can be seen to reduce the cost, andperhaps also enhance the benefit of migration (McKenzie and Rapoport, 2004). Inother words, the incentives of immigration become endogenous with theintroduction of network effects       Detrimentalbrain drain                                                                              beneficial brain drainHt                                                                                                                 Ht                                                       0                                                           t                                      0                                                     t                                                                              Figure 3 (a) and (b): The dynamic impact of brain drain  Kanbur and Rapoport (2004) made anassumption that the cost of migration, ‘ k’, decreases with the size of thenetwork established at the destination, that is with the number of knownemigrants who have already lived in the receiving country. The role of themigrant’s networks is to pass information about job opportunities as well asprovide help and hospitality to other emigrant job seekers.

Hence pastmigration will influence the potential emigrants to invest in education so asto be skillful enough to handle potential job opportunities that may open thusraising the optimal number of individuals engaging in education in theircountry of origin. Hence one can say the migrant’s networks assist or have apositive impact of the formation of human capital which also helps to mitigatethe detrimental effects of brain drain. Business and trade network is alsoanother type of network effects which has gained recognition in sociologicalliterature and by international trade economists (Rauch and Casella, 2003. Inmany ways indeed, and in contrary to the expectations of many in a standardtrade-theoretic framework, migration and trade appears to complement each otherrather than substituting each other.  Suchas complementary prevails for trade of heterogeneous goods, where cultural networksassists in overcoming information challenges associated to the very nature ofthe exchanged goods (Rauch and Casella, 2002) ConclusionThe analysis done propels the authorto support of the topic that, developing countries benefit as senders ofunskilled migrants and therefore the “ brain drain” is not a problem.

It Isbecause the author can conclusively state that based on the above analysis thatfor any given country, optimum migration of educated population is likely toyield positive effects. It, therefore, implies that any state which may imposerestrictions on the international mobility of the human capital may stand tolose on the benefits pertaining thereunto. The developed countries should notnecessarily see that they are the beneficiaries of the movement, but they arealso helping this nation which is growing to be self-sufficient.