

Introduction (oecd) countries since the 1980s. it's meant

[Business](#), [Entrepreneurship](#)



The current wave of economic globalization has unlocked a window of opportunity for human resource to agglomerate where it is best rewarded and yet already in abundant, i. e., in countries which are advanced economically. The tendency has been enhanced by the steady introduction of selective policies of immigration in many Organizations for Economic Cooperation and Development (OECD) countries since the 1980s.

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

What are the significances of flight of the human capital for the developing (sending) countries? In a perfect world of 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 the countries receiving the immigrants can share the surplus of immigration. Moreover and the residents in the sending countries can profit from the increase in labor/land and labor/capital ratios. However, when the highly skilled migrant are

involved, such movements generate other issues which have to be put into consideration. These factors are: - First, the skilled laborers are crucial contributors of the budget of a particular government, and therefore their departure causes an increase of the fiscal burden on the residents left behind (budgetary externality). Secondly, the unskilled and skilled laborers complement each other in a more productive process. If there is an abundance of unskilled labor and a scarcity of skilled workers as in the case of the developing countries, the migration of skilled labor may cause an impact which is substantially negative on the productivity and wages of the low skilled workers (intergenerational spillover) and lead to an increase of domestic inequality. Third, the depletion of human capital through emigration may be seen to have a negative impact on the growth prospect of a country, since the formation of human capital is viewed as an engine for growth (intergenerational spillover). Fourth, as shown in some economic frameworks, skilled capital is instrumental in attracting foreign direct investment (FDI) and Research and development expenditures (technological externality).

Thus, human capital mobility will contribute to the concentration of economic activities in locations which attracted the concentration of skilled 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 the skilled emigrant will continue to affect the first country economy. Such possible feedback that is considered positive includes the remittances by the migrants, the return migration after acquiring more skills from abroad, and network creations which facilitate capital flows, trade, and diffusion of

knowledge. Given the involvement of many channels evaluation of the precise effect of skilled labor migration (the brain drain) for the countries of origin of the emigrants is a complicated endeavor.

Until recently, empirical attempts to explain the impact has been hindered by lack of data that is internationally harmonized data migration by country of origin and level of education. In the absence of such literature review, the ongoing debate has remained exclusively theoretical. In last two decades, there has been an upsurge in the extent of brain drain. In the subsequent sections, the article will discuss the magnitude of brain drain as well as provide estimates on the mobility of skilled workers in the international front. Then it will provide theoretical arguments of the "old" and "new" literature on brain drain by reviewing early literature in brain drain and contrasting it with most recent models. Then the writer will discuss the various channels that the skillful migrants may impact their countries of origin after living (return migration, networks, and remittances). Thereafter the author will take a position through the conclusion about on the debate Recent Global Trends in Brain Drain The United States and OECD countries have experienced an upsurge in the number of skilled migration.

Highly Skilled individuals are classified as those who have attained the tertiary education that 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 had achieved the status of skilled individuals which translates to a 92% increase over a decade from 2000 to 2010. The

number may somewhat be inflated given that the migrant within the EU also includes individuals moving between different states in the EU. The number of migrants doubled in Australia over the similar period and increased by (72%) in Canada. Contrasting figures from the United States of America shows that 11.1 million migrants who are equivalent to 31% of the individual migrants in the USA have completed tertiary education, which translates 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 about 20% come from Asia. In the United States, an estimated (45%) of the migrants who 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 the US from Europe is dropping while the percentage from Latin America is increasing as shown in figure 1.

Figure 1: Share of Educated migrants IN OECD aged 15-64 by region of birth

Arguments of the " Old" And " New" Literature Traditional View of Brain Drain Phenomena According to migration and development theories, the brain drain from developing countries has had negative impacts on the path of developments of a source country. By the dependence and modernization theory brain drain is regarded as the predominant cause of under-development in the nations of migration (Panescu, 2003). The buildup of human capital is relevant to countries that are developing. Brain drain condensed growth of the economy by reducing the human capital assets of a source country and by not compensating the source country by investing in education (Panescu, 2003). As a result, emigration can siphon excess

workers, dispossess sending states the personnel they require as well as depriving a country the economic growth. Subsequently, while it could be beneficial to the individual, brain drain denotes a significant loss to the source countries which has invested heavily in the training of workers.

More so, without a doubt, the migration of specialists and science professionals is beneficial to the destination countries. The approximated losses for the countries that are sourcing are that, given the expenses incurred in the form of educational costs, the nation of origin retains fewer specialists than if not for brain drain. The losses are intensified by the fact that people with relatively high educational levels choose to emigrate (Stalker, 2000). Brain Gain Hypothesis The underlying assumption of this hypothesis is the technical and intellectual elites from the developing countries who have since emigrated represents a possible resource for the development of their home countries both socially and economically (Stalker, 2000). Brain gain hypothesis predicts a long-term effect that is positive in case of a return or the process of network building of the emigrated elite. The new theory also shows how brain drain can be transformed into brain gain for the developing country.

And as such, brain drain is not viewed as the end of adverse development which intensifies social and economic crises of developing countries (Hunger, 2002). Uwe Hunger states that the hypothesis of brain gain is anchored on two primary assumptions: - Firstly, all the skilled workers who migrated from the developing countries and have immigrated to the developed nations can play a critical role in the course of development of their country of origin

through a transnational network and return migration. Secondly, it is possible to provide the emigrated workers with adequate motivation to migrate even though they have been living away from their homes in a long time and has not established contacts that are productive to their countries of origin.

Summarizing the Theoretical Frameworks

The early literature of the 1970s on "brain drain" demonstrated and emphasized the negative consequences of the migration to the original countries.

The conclusion from these studies is that skilled emigration yields inequality specifically at the international level where the countries which are wealthy continue getting wealthier at the expense of countries that are poor. By contrast, recently published works seek to determine whether the common negative effects of brain drain that was emphasized in the early literature may be offset by the likely effects which are beneficial. The beneficial effects that arise from remittances, creation of trade and business works, return migration and the likely incentive effects of the prospects of migration on the human resources formation at home.

How Skillful Migrants May Impact Their Countries of Origin

Remittances

The remittances by migrants constitute a channel through which brain drain may produce indirect effects which are positive for source countries.

It is documented that the remittance by workers often makes a substantial contribution to GNP and are income generating to the developing countries. Remittance affects household's decisions regarding investment, labor supply, education occupation & choice (Edwards and Ureta, 2003). In a primary framework with a constant marginal utility of income, remittances do not affect

the gain of education and marginal cost, and it influences the formation of a human capital merely when liquidity constraints are binding. For example, in a case where the distribution of abilities is uniform: without migration, the share of the educated amounts to c_L .

. With migration openings, as these educated individuals leave the country, two effects which are opposite are observed. Initially, the persons who are trained remaining in the state fall to $c_L - c_M$. If the migrant's workers remit some of their foreign income, the liquidity constraint becomes less binding for beneficiaries in the source country. The customary adverse effect can, therefore, be compensated by increased access to education for the once left behind assuming that a state is steady. Furthermore, migrants may return to their original countries after accumulating saving abroad and use the savings to promote investment projects and entrepreneurship (Mesnard, 2004).

c_M $T + c_M$ c_L $T + c_L$ c_n c_o

c Figure 2: Brain drain and remittances Network Effects In the short term, with migration that is not anticipated, emigration of workers who are educated is a loss to the home country.

However, as time goes by cohorts adapt their decisions on education and the economy-wide average of education partly as in (figure 3a) or catches up totally with a possible net gain in the long run (as in figure 3b). In the transitional phase, additional effects are likely to come into play.

In particular, there is Sociological literature emphasizes the creation of the networks by the migrants which facilitates movement of factors, goods and ideas between the migrant's home and host country. Two types of

systems may arise: networks that facilitate trade, foreign direct investment (FDI) and diffusion of technology and networks which enhance further migration. Existing literature has analyzed the consequences of the establishment of the migration networks on the pattern of migration. Massey Goldring and Durand (1994) developed the cumulative theory of migration where they noted that the first migrants are usually from the middle ranges of the socioeconomic ladder and persons 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 this migrant to access assistance in migration and employment and hence they substantially reduce the risk and cost of movement to them. It increases the feasibility and attractiveness of migration to other members, permitting them to expand through further immigration hence setting you more people who are well connected. This migration networks can be seen to reduce the cost, and perhaps also enhance the benefit of migration (McKenzie and Rapoport, 2004). In other words, the incentives of immigration become endogenous with the introduction of network effects

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Figure 3 (a) and (b): The dynamic impact of brain drain Kanbur and

Rapoport (2004) made an assumption that the cost of migration, 'k', decreases with the size of the network established at the destination, that is with the number of known migrants who have already lived in the receiving country. The role of the migrant's networks is to pass information about job opportunities as well as provide help and hospitality to other emigrant job seekers.

Hence past migration will influence the potential emigrants to invest in education so as to be skillful enough to handle potential job opportunities that may open thus raising the optimal number of individuals engaging in education in their country of origin. Hence one can say the migrant's networks assist or have a positive impact on the formation of human capital which also helps to mitigate the detrimental effects of brain drain. Business and trade network is also another type of network effects which has gained recognition in sociological literature and by international trade economists (Rauch and Casella, 2003). In many ways indeed, and in contrary to the expectations of many in a standard trade-theoretic framework, migration and trade appears to complement each other rather than substituting each other. Such a complementary prevails for trade of heterogeneous goods, where cultural networks assist in overcoming information challenges associated to the very nature of the exchanged goods (Rauch and Casella, 2002). Conclusion The analysis done propels the author to support of the topic that, developing countries benefit as senders of unskilled migrants and therefore the "brain drain" is not a problem.

It is because the author can conclusively state that based on the above analysis that for any given country, optimum migration of educated population is likely to yield positive effects. It, therefore, implies that any state which may impose restrictions on the international mobility of the human capital may stand to lose on the benefits pertaining thereunto. The developed countries should not necessarily see that they are the beneficiaries of the movement, but they are also helping this nation which is growing to be self-sufficient.