

## The Global Migration of Talent: What Does it Mean for Developing Countries?

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**Summary:** Human capital flows from poor countries to rich countries are large and growing. A leading cause is the increasing skill-focus of immigration policy in a number of leading industrialized countries—a trend that is likely to intensify as rich countries age and competitive pressures build in knowledge-intensive sectors. The implications for development are complex and poorly understood. While fears of the “brain drain” were overwrought in earlier decades, the recent celebration of “brain gain” is also overdone, especially as highly selective migration policies deprive poor countries of scarce innovators and institution builders. We explore available policy responses to improve the net effect on development without making the international migration system even more illiberal than it is today.

Cross-border financial capital flows have transformed the global economic and political landscape over the last half-century. Over the next few decades, global migration, driven by demographic and technological factors and the inevitable persistence of large income gaps across countries, is likely to play an equally influential role in shaping the nature of politics and economics internationally. The bulk of migration will take place within developing countries themselves, specifically regarding the movement from rural to urban settings in the giants—China and India. The second largest migration flows will occur internationally, among developing countries, thus continuing the trend of recent years. A third body of migrants will travel from developing to developed countries.

The consequences of substantial immigrant inflows have prompted much debate and analysis about their effects on advanced industrial countries. As these inflows continue to swell over time, the welfare of many migrants, both intra- and international, will require the attention of policymakers the world over, irrespective of the specific circumstances—income gaps, ethnic cleansing, economic instability, or human trafficking—that provoked their departure from their country of origin. However, another reality has received short shrift. What will be the consequences of large cross-border flows of people on the countries of origin? While the majority of international migrants will be low-skill workers, a critical number of them will be highly skilled. What will be the impact of these flows on development, and how substantial will these effects be? The issue demands greater attention because competition for developing country talent will intensify in the years ahead.

### Brain-Drain Trends

Skilled emigration rates substantially increased during the 1990s (Table 1). For many poor countries, the share of skilled nationals residing in rich countries is staggeringly high—more

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than two-fifths of nationals of the Caribbean (Figure 1) with a tertiary education live in OECD countries, while the figure is more than a quarter for many African countries (Table 2). Although the bursting of the technology bubble as well as heightened security concerns are casting a shadow, the selective dismantling of rich country barriers to immigration of the highly skilled from poor countries will continue, driven by three powerful long-term trends:

- First, the combination of the skill-bias of much recent technological advancement with governments' desire to have a competitive advantage in emerging knowledge-based industries. Modern growth is about innovation and it is here, rather than in labor market effects, that the long-term gains of human capital inflows are probably most manifest.
- Second, the aging of rich-country populations. On the labor market side, this trend is likely to increase demand for service providers for an older population. But the huge fiscal

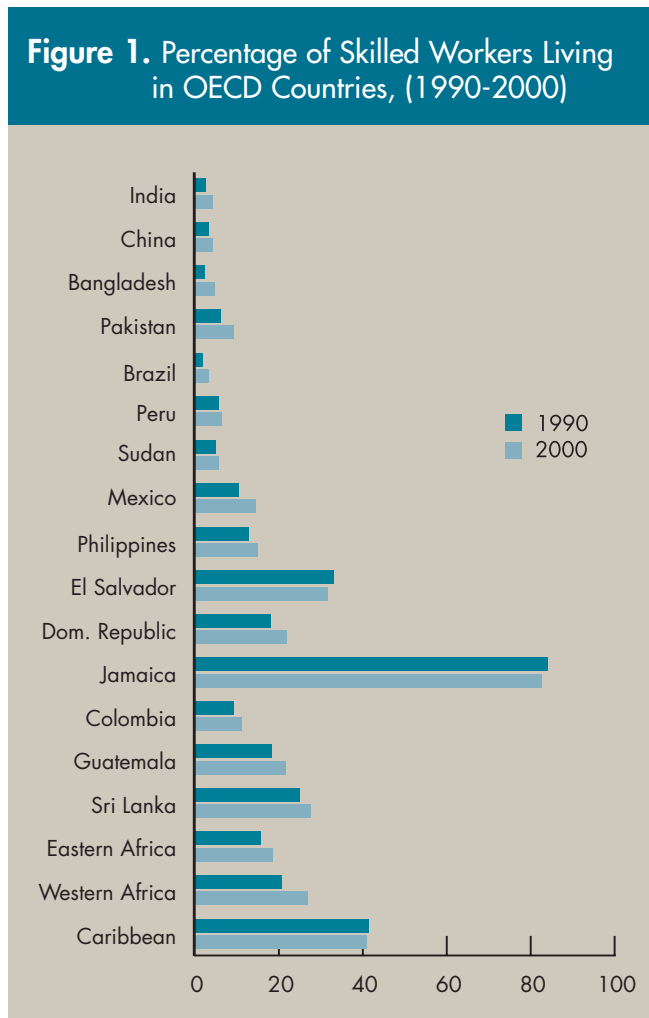
costs of population aging are also likely to drive targeted attempts to attract higher-earning foreign workers to help pay for pension and health care benefits for the domestic population. With the alternatives being greater tax increases on the working population or more substantial benefit cuts for the retired population, there will be strong pressures to "import" taxpayers at the margin.

- Finally, the broader globalization of production and trade. Although in theory international product and capital market integration can substitute for international labor market integration, in practice they tend to evolve together. For example, multinational companies desire the flexibility to move their staff between locations, and sometimes use the threat of moving jobs to win more flexibility to hire foreign workers domestically.

**Table 1. Better-educated Workers Are More Likely to Emigrate.\***

Country of birth	1990		2000	
	Primary	Tertiary	Primary	Tertiary
Mexico	6.5	10.4	9.5	14.3
Philippines	1.1	12.8	1.4	14.8
India	0.1	2.6	0.1	4.2
China	0.1	3.1	0.1	4.2
El Salvador	8.2	32.9	11.2	31.5
Dom. Republic	3.8	17.9	5.8	21.7
Jamaica	11.0	84.1	8.3	82.5
Colombia	0.5	9.2	0.8	11.0
Guatemala	2.1	18.2	3.5	21.5
Peru	0.3	5.6	0.7	6.3
Pakistan	0.2	6.1	0.3	9.2
Brazil	0.1	1.7	0.1	3.3
Egypt	0.2	5.3	0.2	4.2
Bangladesh	0.1	2.3	0.1	4.7
Turkey	4.2	6.3	4.6	4.6
Indonesia	0.1	6.2	0.1	2.0
Sri Lanka	0.8	24.8	1.9	27.5
Sudan	0.0	5.0	0.1	5.6
Tunisia	4.6	12.3	4.2	9.6

\* Percent of population living in OECD countries, by education level



**Table 2. Estimates of the Brain Drain from Africa: Emigration Rates for Tertiary Educated, 2000**

**Percentage of nationals with university education living abroad, 2000**

> 50	Cape Verde, Gambia, Seychelles, Somalia
25–50	Angola, Equatorial Guinea, Eritrea, Ghana, Guinea Bissau, Kenya, Liberia, Madagascar, Mauritius, Mozambique, Nigeria, Sao Tome and Principe, Sierra Leone
5–25	Algeria, Benin, Burundi, Côte d'Ivoire, Cameroon, Chad, Comoros, Congo, DRC (formerly Zaire), Djibouti, Ethiopia, Gabon, Guinea, Malawi, Mali, Mauritania, Niger, Morocco, Rwanda, South Africa, Senegal, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe
< 5	Botswana, Lesotho, Burkina Faso, Central African Republic, Egypt, Libya, Namibia

Looking forward, the evolving liberalization of trade in services is likely to blur the lines between trade and migration. The intensification of product market competition will increase the pressure on governments to ease immigration restrictions so as to provide domestic firms with a source of competitive advantage through improved and cheaper access to a diverse set of skills. When it comes to the innovation-intensive sectors of the economy, governments of rich countries will be more and more sensitive to claims that other countries are providing more conducive competitive environments to their firms.

### Effects on Developing Countries

How will this increased competition for poor countries' talent affect their development prospects? There are four key channels through which international skilled migration affects sending countries. Our analysis of each of the four channels—prospect, absence, diaspora, and return—focuses on effects of skilled migration on the welfare of “those remaining behind” (TRBs) in the home country. This is not to say that the welfare of TRBs is all that matters. Emigration obviously has important welfare effects on the emigrants themselves. Generally, however, the effect will be positive—otherwise they would not leave.

However, the welfare effects on TRBs are less well understood and the multiple channels strongly suggest that the implications for international skilled migration are complex and defy any simple-minded, facile bottom lines.

The *prospect* channel captures the way in which a prospect or an option of emigration affects the decision-making of people in sending countries, whether or not they actually end up emigrating. In particular the prospect of emigration increases the inducement to get more education as well as the type of education. The massive increase in nursing education in the Philippines illustrates this phenomenon. This channel affects decisions related to the types of skill acquisition, the supply of entrepreneurship, the development of relationships with co-located individuals, and the extent and form of savings.

The *absence* channel focuses on the effects on TRBs when skilled individuals actually leave. At the simplest level, the country loses an “emigration surplus”—the difference between the values an emigrant was adding to the economy and that which the emigrant was being paid. This is a direct money measure of the economic loss of the emigrant's absence. However, the *absence* of skilled workers on the domestic economy also results in larger skill premiums, fiscal losses, diminished scale economies, and changed comparative advantage.

Most importantly, it might affect a country's capacity to build domestic institutions, increasingly recognized as the critical variable for development. How does the absence of highly talented individuals affect institutional development? We find it useful to distinguish between the impacts of emigration on the supply of institution-builders and the demand for better institutions. The *supply* side is the more straightforward. Countries have limited supplies of people willing and able to take on entrenched interests to reform schools, establish clinics, and fight for the rule of law. The dilemma is that potential institution-builders are most likely to leave where institutional quality is worst. And the very individuals most likely to be institution-builders by talent and temperament, be it professionals or managers, are the most likely to be internationally marketable. If people of talent and drive are essential for building institutions, then their loss can have severe consequences. Added to this, the incomes of non-corrupt but talented individuals working in public institutions with compressed wage scales are likely to compare unfavorably with foreign alternatives. Such people are highly vulnerable to giving up and starting over where they are more valued. This potential loss of an institution building middle-class









