

The brain drain from developing countries

The brain drain produces many more losers than winners in developing countries

Keywords: migration, brain drain, development, growth

ELEVATOR PITCH

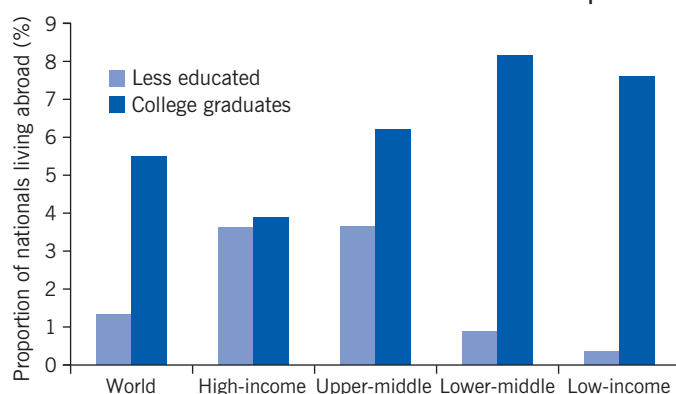
The proportion of foreign-born people in rich countries has tripled since 1960, and the emigration of high-skilled people from poor countries has accelerated. Many countries intensify their efforts to attract and retain foreign students, which increases the risk of brain drain in the sending countries. In poor countries, this transfer can change the skill structure of the labor force, cause labor shortages, and affect fiscal policy, but it can also generate remittances and other benefits from expatriates and returnees. Overall, it can be a boon or a curse for developing countries, depending on the country's characteristics and policy objectives.

KEY FINDINGS

Pros

- + The income-maximizing level of a brain drain is usually positive in developing countries, meaning that some emigration of the more skilled is beneficial.
- + A brain drain stimulates education, induces remittance flows, reduces international transaction costs, and generates benefits in source countries from both returnees and the diaspora abroad.
- + Appropriate policy adjustments, which depend on the characteristics and policy objectives of the source country, can help to maximize the gains or minimize the costs of the brain drain.

Brain drain rates decrease with economic development



Source: [1].

IZA
World of Labor

Cons

- The effective brain drain exceeds the income-maximizing level in the vast majority of developing countries, especially in sub-Saharan Africa, Central America, and small countries.
- A brain drain may cause fiscal losses.
- Above a certain level, brain drain reduces the stock of human capital and induces occupational distortions.

AUTHOR'S MAIN MESSAGE

The impact of the brain drain on a source country's welfare and development can be beneficial or harmful. The evidence suggests that there are many more losers than winners among developing countries. Whether a country gains or loses depends on country-specific factors, such as the level and composition of migration, the country's level of development, and such characteristics as population size, language, and geographic location. Policymakers should gauge the costs and benefits of the brain drain in order to design appropriate policy responses.