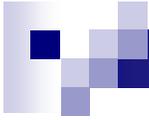


Skilled Migration and Institutional Development

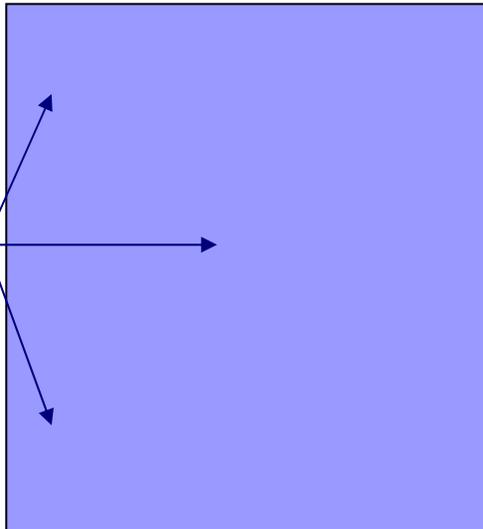
John McHale

United Nations Symposium on
International Migration and
Development, Turin, June 2006



Rich Country

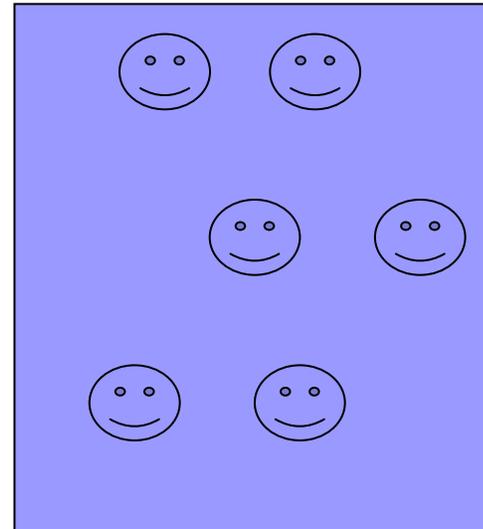
Target
the
more
skilled



Strong Institutions

Poor Country

Plan B



What
impact
on Devel-
opment?

Weak Institutions

Large Income Gains



Gains from “institutional arbitrage”

- Enormous differences in average living standards across countries
- Question: Are these differences due to differences in the places (institutions) or to differences in the people (human capital)?
- Important implications for the gains to migrants: Bad institutions can be left behind; inadequate human capital travels with you

- 
- Cross-country growth literature points to the importance of institutions

- Hall and Jones (1999)

- Accounting exercise:

- Decompose relative output per worker into the product of the relative (weighted) capital to output ratio, relative human capital per worker, and relative total factor productivity

- Example of Kenya:

□ Relative Output per worker:	0.056
□ Relative capital to output ratio:	0.747
□ Relative human capital per worker:	0.457
□ Relative total factor productivity:	0.165

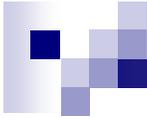
- 
- **Complication: Evidence of poor transferability of skills leading to “brain waste”**

 - **Scarcity of longitudinal evidence: Jasso, Rosenzweig and, Smith (2002) is an important exception**
 - Evidence of large PPP adjusted income gains
 - Large income gains despite poor transferability



Migration-based “Plan B”

- Although institutions are recognized to be central to development, outsiders are limited in what they can do to put better institutions in place
- Lant Pritchett’s Plan B
 - “My Plan is that we begin today to develop mechanisms for enhanced labor mobility so that, when in 2015 the MDGs are not achieved (and in many countries there is no progress), that these can be scaled up and integrated into an international system that is truly globalized.” (Pritchett, 2003, p. 39)
- Alternative statement: *If you can’t bring good institutions to the poor, allow the poor to move to the good institutions*



- Benefits of migration are likely to be largest for the less skilled
 - Better targeted to the poor
 - Propensity to remit
 - Less concern about skill transferability

- But rich countries are increasingly targeting the more skilled
 - Australia, Canada, New Zealand, U.K. . . .
 - In part because of concern about the impact on their own institutions



Impacts on those remaining behind

- Multifaceted effects . . . Certainly not all bad
- But the pendulum may have swung too far . . .
Real costs from the absence of scarce skills
- Particular concern about the impact on institutional development in small, poor countries
 - Supply of institution builders
 - Demand for institutional reform



Policy responses

- Most important: Immigration policy
 - Less targeting of skilled permanent migrants
 - Case for substantial programs for less skilled temporary migrants
- Need to develop compensation mechanisms, especially mechanisms focused on capacity building
- Need to strengthen connections
 - Remove obstacles to enduring connections
 - Is there a case for a “Bhagwati tax”?



Concluding thoughts

- Extremely valuable report
- But perhaps overly optimistic about the scope for “triple wins”
- Important to distinguish between the impacts of migration on poverty and its impact on development
- Dialogue should establish migration policy as a critical anti-poverty tool