



## International Labour Mobility Opportunity or Risk for Developing Countries?

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- ◆ Migration can strengthen the development process in sending countries.
- ◆ Potential gains from migration are currently insufficiently utilised.
- ◆ More coherence between various policy domains – in particular related to migration, human resource development and the labour market – is a critical component of an improved migration management.

Migration is an integral part of globalisation. In the OECD, the percentage of people living outside their home countries more than doubled between 1985 and 2005. About half of this migration concerns movements from one industrialised country to the other. However, migration from developing to developed countries has also increased markedly. Reasons for this trend are manifold. Apart from political reasons (e.g. persecution in the home country) economic factors are important drivers for this development as well. Migrants hope for better jobs, higher salaries and improved living conditions. While the impact of migration on receiving countries has been the focus of much attention, migration can also benefit sending countries.

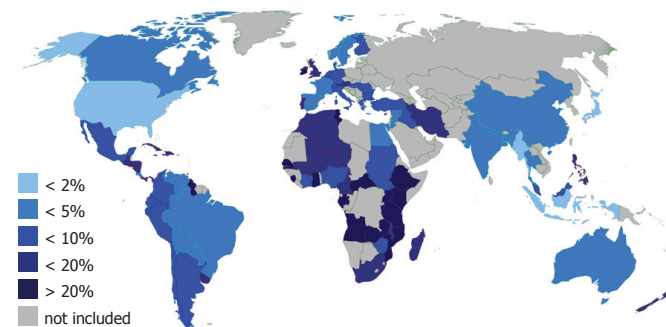
### The Migration Development Nexus

Migration can contribute to development in multiple ways, especially through effects on the labour market, through changes in productivity and through the money sent home by migrants (remittances). The relative importance of these factors varies from country to country and often depends on the migrants' skill composition.

Compared to the migration of the highly skilled, low-skill migration seems to have a stronger effect on poverty reduction in sending countries. This possibly surprising result has a compelling logic behind it. For one, low-skill migrants remit more money as they generally migrate shorter distances, intend to return to their home countries and generally migrate without families. Their incentive to support relatives with financial transfers is thus stronger than for the highly skilled. Furthermore, low-skilled migrants tend to come from poorer households, which increases the poverty-reduction effect of their remittances. Finally, the emigration of low-skilled workers can reduce pressures on local labour markets, which often suffer from an oversupply in the low-skill segment.

Conversely, migration of the highly-skilled – the so-called brain drain – has a more ambiguous development impact and disproportionately harms poor developing countries. With few notable exceptions, the rate of university graduates who no longer live in their home countries is particularly high in sub-Saharan Africa, Central America and small island states (darker shading in Figure 1). But even in these countries, the brain-drain phenomenon is more complex than it may appear at first sight. High-skill workers frequently migrate because they cannot find adequate employment in their home countries, so their loss has no immediate effects on the labour market in these countries. In fact, adequate policies can even help sending countries benefit from the migration of the highly-skilled. For example, the prospect of a future emigration can give others an incentive to acquire higher education; financial transfers of migrants can support the development process at home; and new qualifications of skilled migrants can benefit the sending country if adequate channels for such "brain circulation" exist.

Figure 1. **Migration of University Graduates** (percentage)



Share of a country's nationals with a university education who live in an (other) OECD country.

Source: OECD Database on Expatriates and Immigrants (2004/2005); Cohen and de Soto (2001).

## Education and Labour Market Policies

Despite these opportunities, the potential development impact of migration is currently insufficiently utilised. In particular, educational and labour market policies need to adjust to the consequences of the international movement of labour.

Sending countries should try to retain workers who are indispensable for the development process (e.g. doctors, nurses, engineers) by providing positive incentives to stay or return back home after spending time abroad. Countries therefore need to be aware of their human resource needs in order to tailor interventions to sectors where people are needed most. Only if individuals can utilise their specific skills and competencies will they have an incentive to participate in the development process of their home countries.

Equally important is to offer migrants adequate opportunities to re-enter the labour market in their countries of origin. Some countries have already implemented policies that aim to attract highly skilled migrants to return home by providing tax cuts, attractive research facilities or bonus payments. Some measures must not even be very costly, such as recognising work experience from abroad or providing special information for returning migrants on how to obtain a credit or start a business.

Concurrently and in close co-ordination with the situation on the labour market, educational policies should ensure that the supply of needed human resources is maintained

at all times. In order to reduce the migration of the highly skilled, countries could envisage arrangements that oblige graduates of publicly financed facilities to work in their home countries for a specific period of time. Another option would be to cover student loans in return for work engagements at home or to engage in partnership agreements with OECD countries to foster temporary migration. The success of such arrangements is illustrated by the example of Florida where Jamaican health workers can work half of the month in the United States and have to return home the other half. This way all parties can benefit from migration: the migrants themselves who can earn higher wages abroad; the host country that can fill vacant positions; and the home country that will dispose of better human resources due to the new skills and competencies of returning migrants.

## More Coherent Policies for More Inclusive Development

Migration policy must therefore be seen in the context of the development process of a country. More coherence between various policy areas is an indispensable prerequisite for better migration management. The development dimension of increased international labour mobility can be strengthened by innovative tools that foster circular migration, concerted measures of banks and other financial services that reduce the costs of remittances, and better regulations concerning the recruitment of highly-skilled workers – including an improved human resource management of migrant home countries.

### *Further Reading:*

OECD Development Centre (2007): *Policy Coherence for Development – Migration and Developing Countries*, OECD, Paris.