Discussion of

# Return Migration as a channel of Brain Gain

*by Karin Mayr and*

*Giovanni Peri*

# Praxis – theory - praxis

- Descriptive Analysis of Cohorts Data from the US Census
- OLG Model with double sorting (outmigration vs. staying at home and return migration vs. remaining abroad) by skill level.
- Calibration of the model.
- Extensions-simulations.

# Key Findings

- Possibility not only to migrate but also to return home positively affects human capital investment at home.

- Very important that wages for return migrants duly reward their investment in human capital.

- Policy implication: downplayed the concerns over "brain drain". At most it is brain rental and rather highly rewarded.

# Driving factors
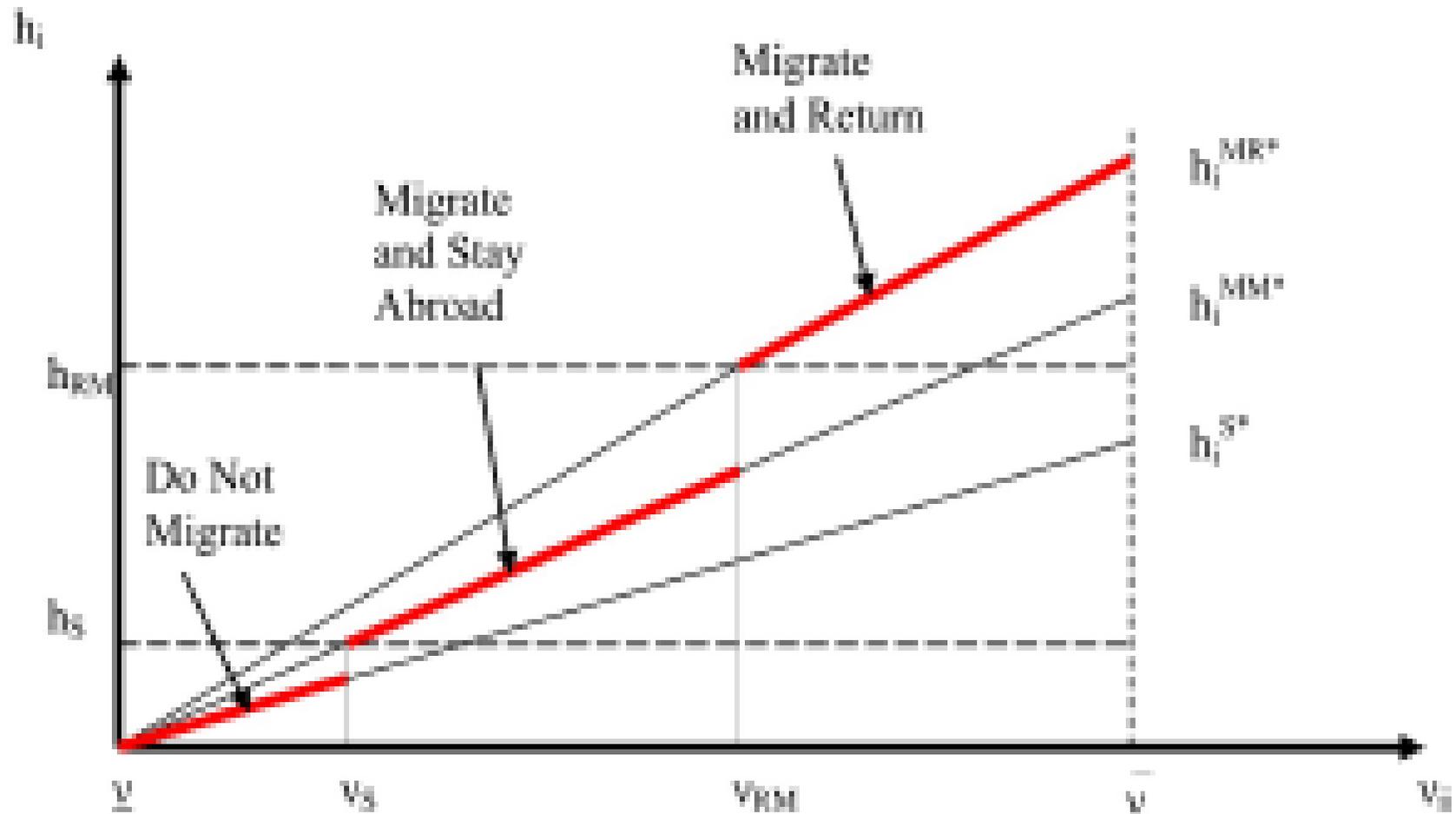
# Issues

1. Higher *marginal* returns to schooling in the destination country. Is it true?

2. Probability of successful migration is also affected by HC investment.

3. Evidence on sorting by skill and retention rates not always in line with the model.

4. Further empirical implications of the model?

## Returns to a Year of Education

| Country | Reference Years | Communism | | Transition | |
|---|---|---|---|---|---|
| | | **Men** | **Women** | **Men** | **Women** |
| *CEECs* | | | | | |
| Czech Republic (1) | 1984, 1993 | 0.024 | 0.042 | 0.052 | 0.058 |
| Czech Republic (2) | 1989, 1996 | 0.027 | 0.038 | 0.058 | 0.070 |
| East Germany (3) | 1989, 1991 | 0.044 | | 0.041 | |
| East Germany (4) | 1988, 1991 | 0.077 | | 0.062 | |
| | | 0.071 | 0.085 | | |
| Poland (5) | 1987, 1992 | 0.05 | | 0.07 | |
| Slovakia (1) | 1984, 1993 | 0.028 | 0.044 | 0.049 | 0.054 |
| *FSU* | | | | | |
| Russia (6) | 1991, 1994 | 0.031 | 0.054 | 0.067 | 0.096 |
| Russia (8) | 1998 | | | 0.076 | 0.102 |
| | | | | 0.093 | |
| United States (4) | 1989 | - | - | 0.085 | 0.103 |

*Notes:*

Figures are reported coefficients from human capital (Mincer, 1976) earnings functions. The exception is the study by Chase (1998) which corrects the womens' earnings functions for selectivity bias.

*Sources:*

(1) Chase, 1998.
(2) Munich et al., 1998.
(3) Bird et al., 1994.
(4) Krueger & Pischke, 1995.
(5) Rutkowski, 1997.
(6) Brainerd, 1998.
(7) Psacharopoulos, 1994
(8) Nesterova and Sabrianova, 1998

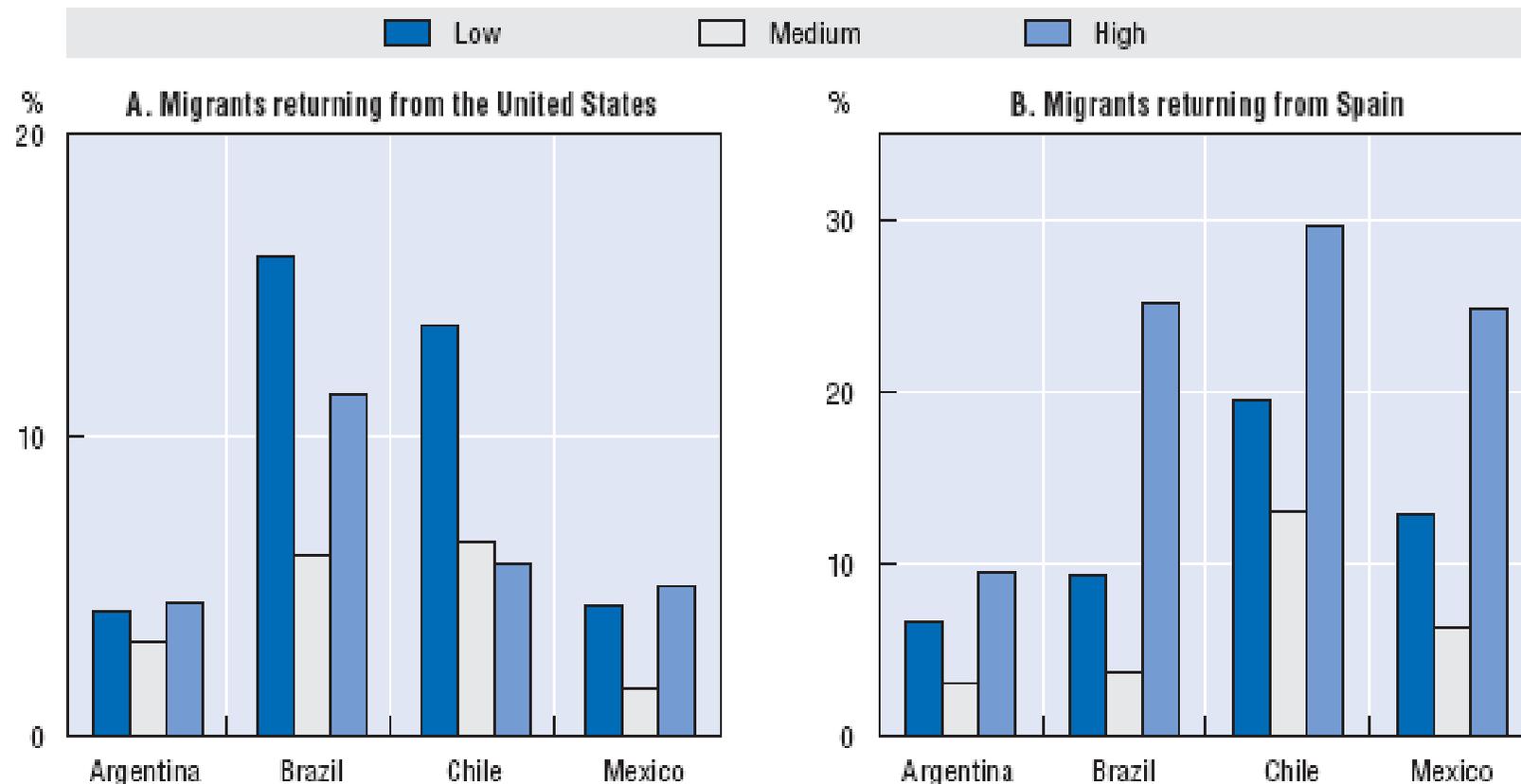# Issue of quality of education (IALS)
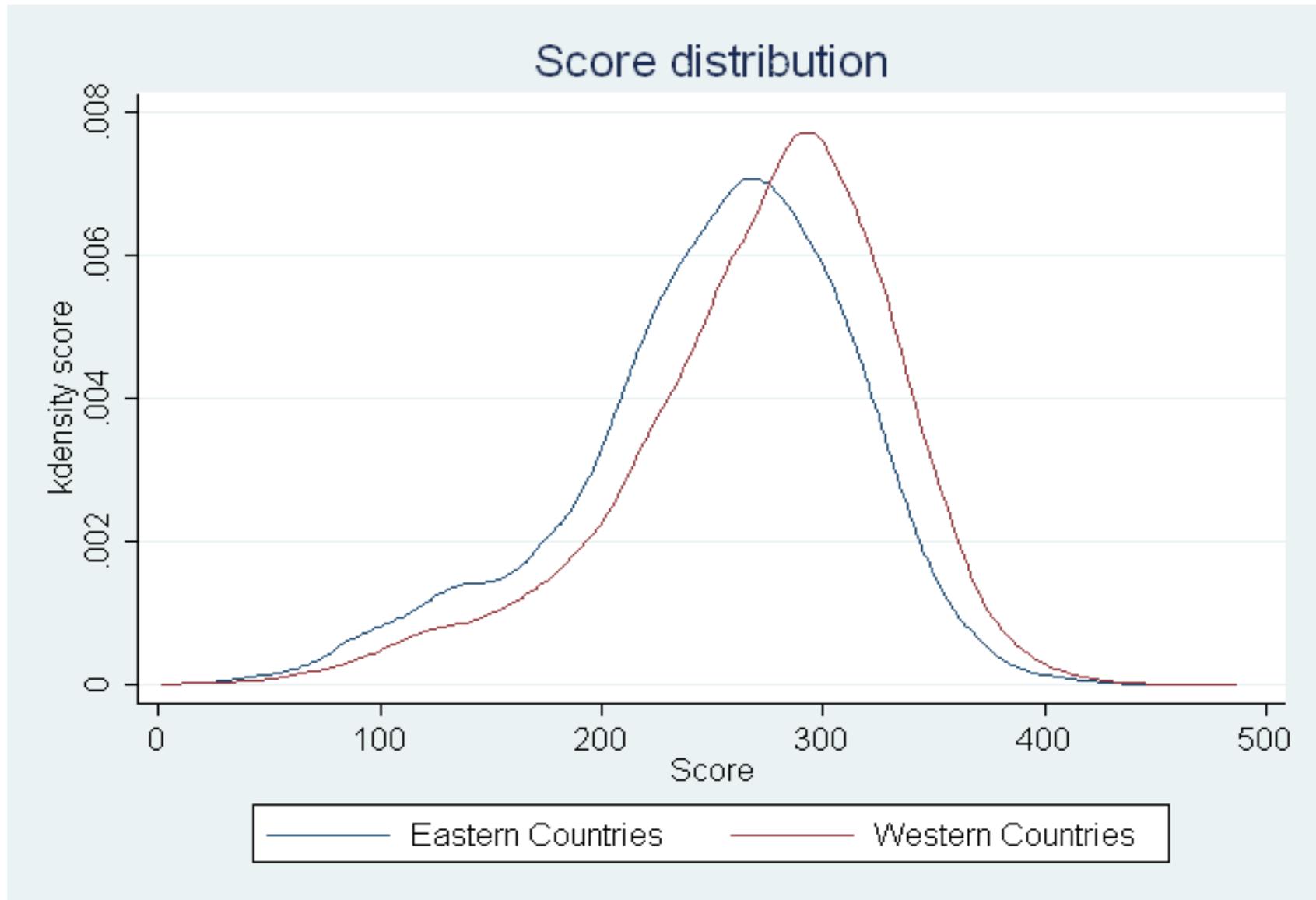
# 2. Migration policies are selective

- Everywhere tightening of migration policies towards the unskilled and race to attract highly skilled migrants
- Explicit point systems in an increasing number of countries (Canada since 67, Australia since 84, New Zealand since 91, Switzerland since 96, UK soon)
- Thus sorting by skill (or by gap-filling) is also policy-induced. Permits are not a lottery.

# 3. Polarisation of returns

- OECD (2008) "Returns by level of education produce a U-curve"
- Estimates for a number of countries based on matched censuses

- Also Gundel and Peters (2008) find that the proportion of the highly skilled is higher among immigrants than returning migrants, notably among men

# Proportion of return migrants by educational attainment among immigrants from Argentina,Brazil, Chile and Mexico
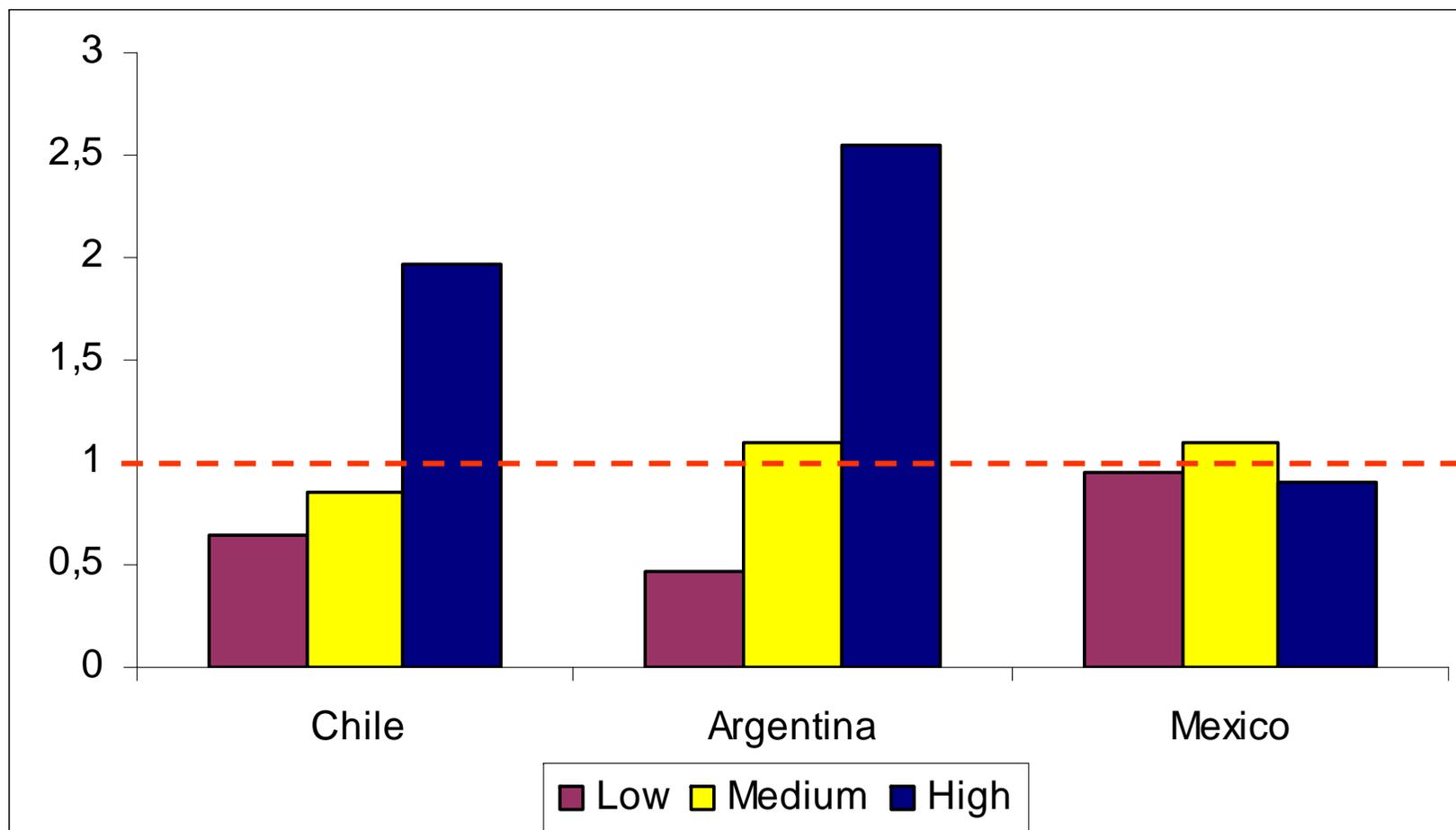


Legend: Low ■ | Medium □ | High ■

A. Migrants returning from the United States

B. Migrants returning from Spain

StatLink http://dx.doi.org/10.1787/428383021711

Note: Low educational attainment means less than lower secondary, medium means completed upper secondary education and high educational attainement means tertiary education.
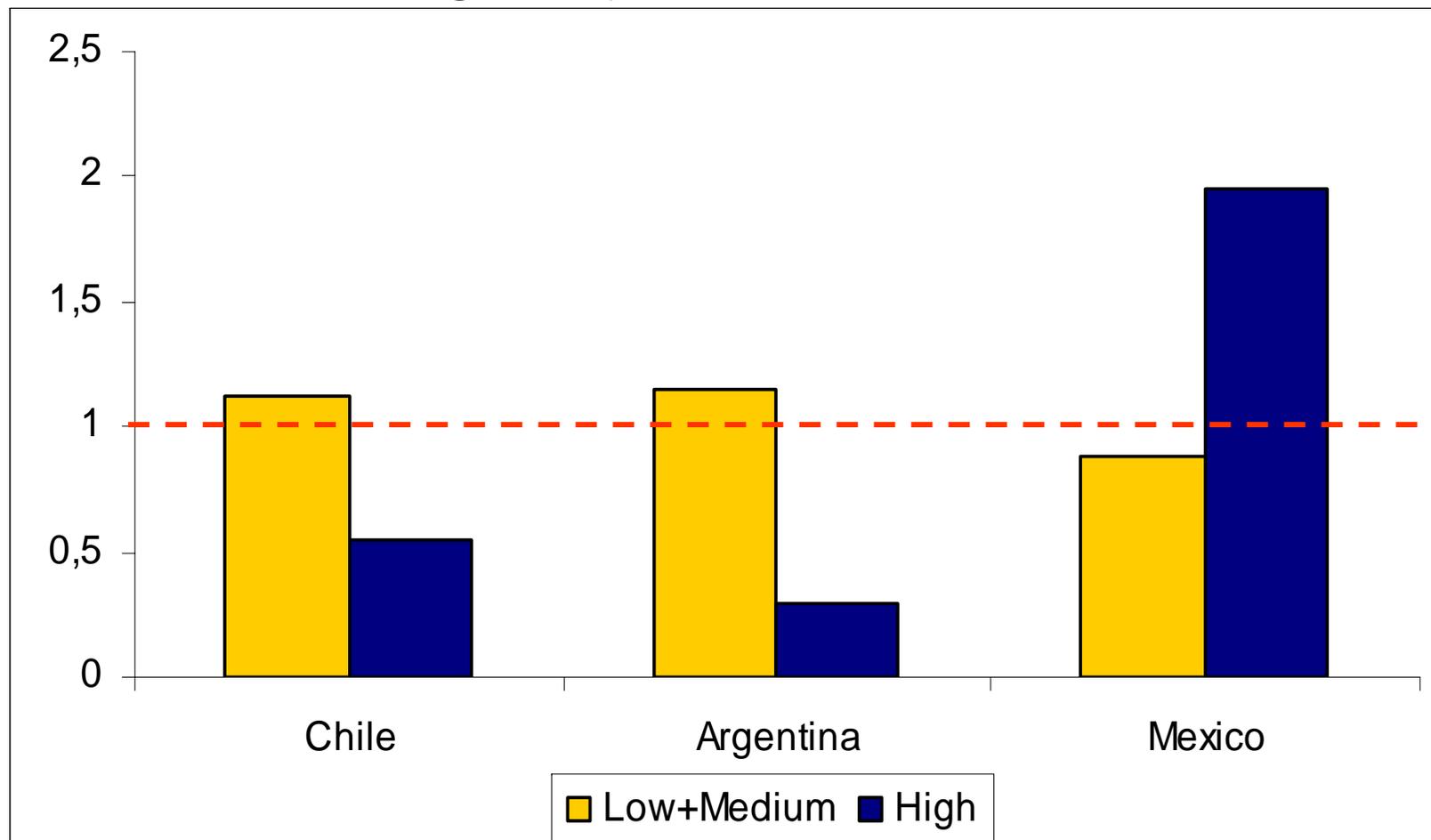
Source: OECD International Migration Outlook, 2008

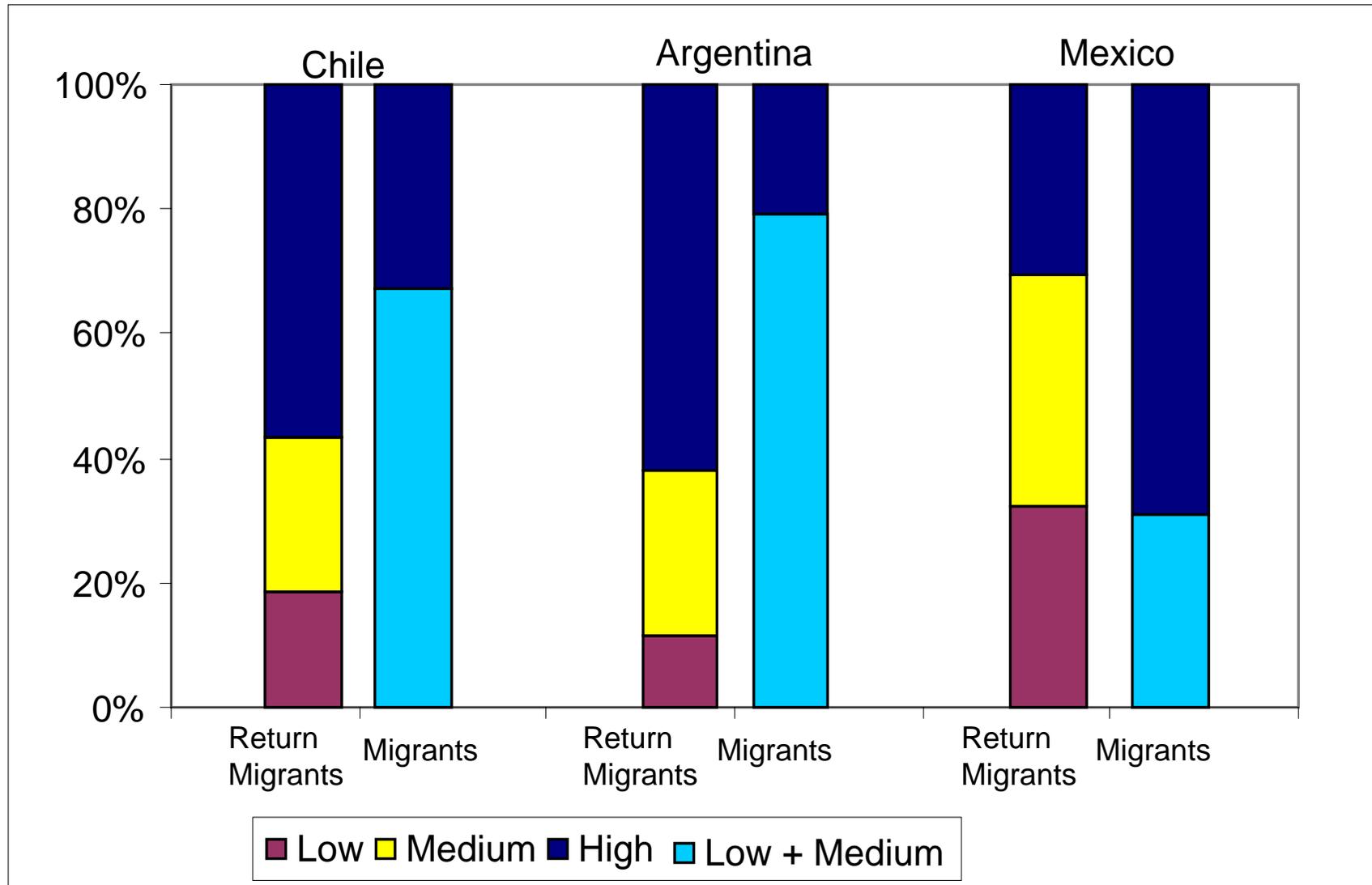# Odds Ratio: Return Migrants over Population of origin by education level

# Odds Ratio: Migrants over Population of origin by education level
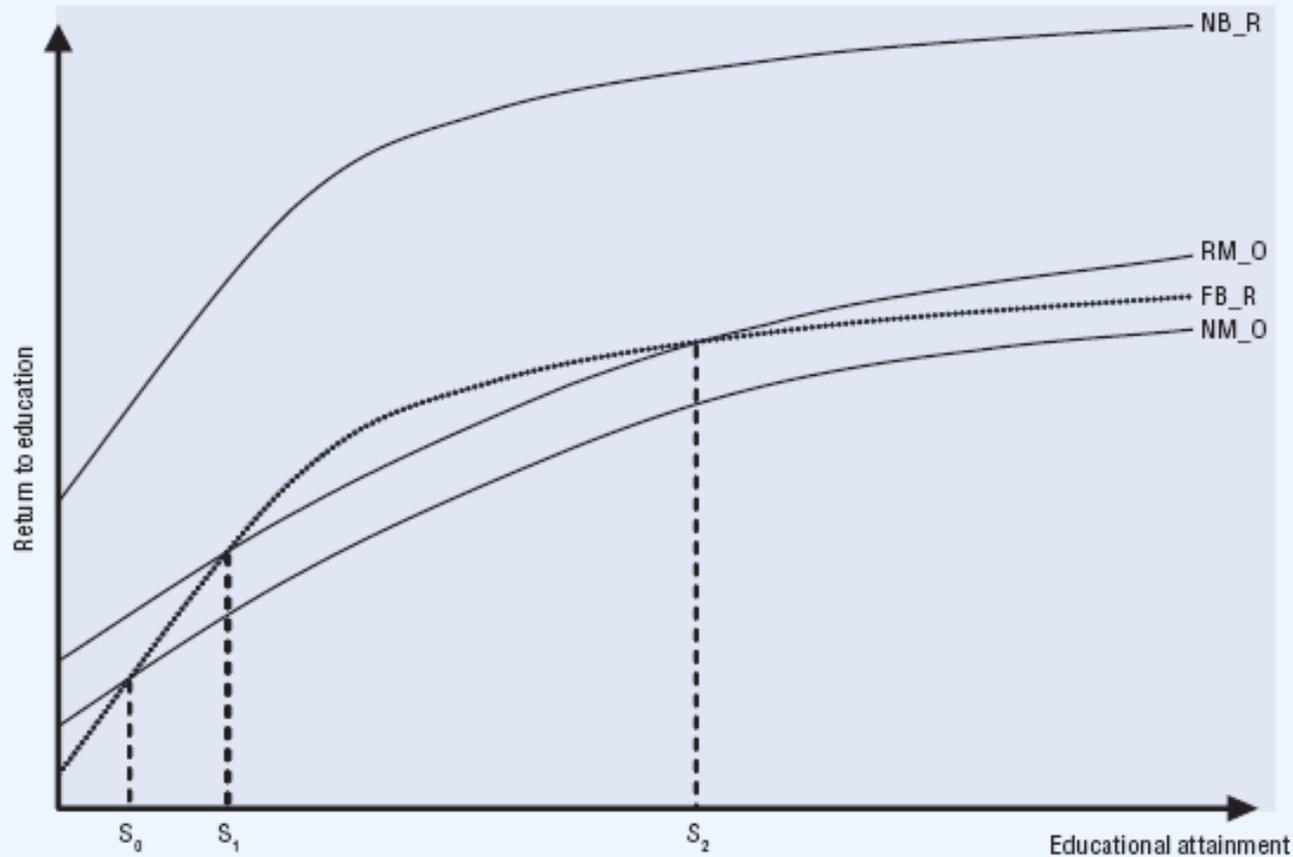
# Ratio: Migrants vs. Return Migrants



Source: OECD and "Measuring international skilled migration" Michel Beine, Frédéric Docquier and Hillel Rapoport, July 2006

# Retention rates

- Declining with the duration of the stay
- Return migration mostly takes place 2 years after arrival. Returning migrants are young (e.g., average retuning Mexicans are aged 24)

- Explanations: return migration is also failed migration

# Potential non-linearities



Note: NB_R: Natives of the host country; NM_O: Non-migrants in the origin country; FB_R: Immigrants in the host country (taking into account migration fixed costs); RM_O: Return migrants in the origin country.

# 4. Further Empirical Implications?

- Countries rewarding more high skills should experience lower return rates

- Large differences in the extent of return migration across countries even after controlling for country of origin.

- Are they correlated to returns to education?

# Overall

- Very interesting paper making an important point

- Migration is not a lottery. Rules changing over time and across recipients. Role of expectations

- Sorting by skill and polarisation.

- A bit more of praxis?