



Skilled Migration and Institutional Development

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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





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



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