

‘Brain gain’ and occupational choice

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Abstract

In recent decades, economic analysis of the effect of skilled migration on source countries has heavily emphasised the actual or potential *beneficial* effect on human capital: various authors have argued that such migration creates a positive incentive for human capital investment. Empirically, this implies that even if the direct effect is negative, the net effect may be positive. The present paper examines the importance for such propositions of the assumption that human capital investment is continuous. When such decisions are modelled as choice between occupations, the effect of prospective migration depends on the foreign wage multiple, the domestic premium for the skilled occupation and relative costs of pursuing each occupation. Furthermore, rationing of entry into skilled occupations may render any brain gain effect impossible. The paper concludes with a brief discussion of possible theoretical extensions and empirical applications.

Key words: Brain drain, brain gain, human capital, migration, South Africa

JEL classifications: F22, O15, J61, J24, J31

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