



Development: Do points mean prizes?

How the UK's migration policies could benefit the world's poor

Development on the Move Working Paper 5

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Contents

About ippr	3
About GDN	3
About the authors.....	3
Acknowledgements.....	3
Executive summary	4
1. Introduction	7
2. Skilled migration and development: understanding impacts	10
3. Evidence: the impact of skilled migration on development	14
4. Linking the evidence to policy.....	28
5. UK policy levers	32
6. Conclusions	39
References.....	40

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The paper draws on analysis conducted in 2009 for UKBA on skilled emigration's development impacts.

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Executive summary

As migration has risen over the past few decades, public demands for managed migration have risen too. In the UK, the Government has responded to this demand with the Points Based System (PBS), which aims to select the migrants the economy needs most. However, while this makes sense for the UK, it neglects the fact that migration can affect other countries too – the objectives of the PBS are currently exclusively focused on UK policy objectives.

This neglect is striking as there is almost no other area of UK policy which is so clearly international in its scope and yet where the sole objective is to maximise benefits to the UK. We argue in this report that impacts on development should be factored into UK migration policy.

The impacts of migration are thought to be both positive and negative. For example, remittances (money that migrants send back to their families and to others in the community) are now at least as important as aid or foreign direct investment as sources of income for many developing countries. On the other hand, there are concerns that skilled emigration or ‘brain drain’ – which can be exacerbated by points-based systems like the UK’s that explicitly seek to attract the most skilled people – can deprive developing economies of their ‘best’ people.

This paper examines the nature of migration’s development impacts in greater depth and asks how the Government can ensure that the UK’s migration policies contribute positively to the lives of some of the world’s poorest people, as well as benefiting British citizens. While we note that unskilled migration potentially offers significant development benefits (benefits that are currently lost because the Government has closed tier three of the PBS, which would allow for low-skilled migration from outside the EU), we focus in particular on skilled migration, because this is the area in which we think there is most possibility for shaping policy.

Skilled migration is often termed ‘brain drain’ because of the negative impacts that it is presumed to have on a country’s stock of skills and human capital. We suggest that while skill stocks are important and these kind of impacts must be taken into account, skilled migration can have wider developmental impacts, many of which are positive.

Our analysis suggests, in fact, that skilled emigration may actually *benefit* most developing countries through a combination of effects. While it may have negative developmental impacts on skill stocks in the short run, in richer developing countries (those termed ‘middle income countries’, with GNI per capita of more than US\$975) these seem likely to be counteracted by returning migrants who bring back skills, plus other development promoting resources, like money and ideas. Also, while skilled migrants are abroad they may make important transfers and contributions, building trade links, for example, and transferring attitudes, knowledge and remittances. In some middle-income countries immigration may also play a positive role.

Brain drain is of greater concern in low-income developing countries (defined as those with a GNI per capita of US\$975 or less), because they benefit less from skilled immigration, skilled migrants’ return, and many of the transfers and contributions that the diaspora can potentially make. However, even here, a limited degree of skilled emigration still appears to have positive developmental effects. This is firstly because low income countries seem likely to benefit from remittances, which may be sent more to low income countries than middle income ones. In addition, however, low income countries seem to profit from strong incentive effects which motivate people to increase their levels of education so as to increase their chances of migration (as skilled people are more likely to be able to migrate, partly because of the structure of migration management systems like the UK’s points-based system).

This increased incentive to ‘up-skill’ can help to compensate for the direct negative impacts that skilled emigration imposes upon a country’s stock of skills, potentially even counteracting it entirely. Indeed, in most low income countries it seems likely that the incentive effect will compensate for skilled emigration, as it has a more powerful effect in poorer countries. The evidence suggests that in places where less than 30 per cent of the total skilled population live abroad, the incentive effects may outweigh the numbers of skilled people emigrating, meaning that the stock of skills a country has is the same – or even greater – than it would have been without skilled emigration. However, where

skilled emigration is very substantial (above 30 per cent) as it is in countries like Haiti, Sierra Leone and Somalia, for example – it seems the positive effects of remittances and incentive effects may not offset the damage caused by brain drain. These are the countries which warrant the greatest attention from government concerned with addressing any harm caused by skilled emigration. UK government policy should not, however, just be driven by preventing harm to developing countries. It should also attempt to increase some of the positive contributions that migration can make to development. But how can government do this, while also meeting the UK's own migration policy objectives? What approach should be taken?

We suggest that there are three possible positions that the Government could take to resolve multiple and potentially competing objectives with respect to migration and development:

1. *Do no harm* – Migration policy would be set in order to maximise benefits to the UK, with the caveat that no part of migration policy should be harmful to development objectives. This might involve decisions about migration policy being subject to some kind of international development impact test.
2. *Development as an added benefit of migration policy* – Migration policy would still be set primarily with a view to maximising benefits to the UK. Once this test had been met, international development would be a second order objective. For example, if the UK needed skilled workers, the choice of where those workers should come from would be determined by international development considerations.
3. *International development as part of the UK's migration policy framework* – Migration policy would be set taking account of both UK and international development objectives. Where there are trade-offs between these objectives, the Government would consider relative impacts. For example, where a policy might sacrifice some small degree of economic benefit in the UK but represents a significant gain to development, it might make sense to pursue that policy.

Our clear recommendation is that, given the extent to which migration can improve lives in developing countries, and given the UK's strong commitment to international poverty reduction, the Government should go beyond a 'do no harm' position. Migration can have positive benefits for development, and this should be clearly reflected in UK policy.

So what UK policy options seem most likely to be effective, and why?

- **Brain drain cannot be stopped** Governments in countries like the UK cannot stop skilled emigration from developing countries. People are driven to migrate from poor countries to richer ones by powerful economic forces, and skilled migrants in particular often have many options of countries that they can go to. If skilled migrants are deterred by policy from coming to the UK they will go to other developed countries rather than staying at home. Policy interventions should therefore 'go with the flow' of migration patterns.
- **Trying to reduce brain drain may actually be bad for development** Even if brain drain could be stopped, this should not be policymakers' aim. In many circumstances, trying to reduce brain drain would diminish many of the positive impacts that migration can have. Indeed, many developing countries could benefit, it appears, from more rather than less skilled emigration because of the remittances that migrants send, the diasporas that migration creates, and the positive incentives (in terms of education, for example) that migration can generate. In many places these appear to outweigh any negative impacts that skilled emigration has. The effects on migrants themselves, moreover, should be taken into account. Most migrants improve their lives quite dramatically by moving, improvements which might be threatened by attempts to reduce or stop skilled emigration.
- **Skilled migration contributes more when it is more 'circular'** This involves higher levels of return (both temporary and permanent) and migrants who have strong links with their countries of origin. We suggest that changes to the PBS and UK citizenship framework to enhance flexibility and allow migrants more freedom to move back and forth as they wish would be an

important step towards making migration to the UK more development-friendly. This would be a simple way to facilitate return migration, circular migration, and strong migrant links with their countries of origin.

- **Increased migration to the UK would promote poverty reduction** In some countries this would involve more skilled emigration (certainly to above five per cent) but others would benefit from the opening up of more channels for low-skilled migration. In our view this means that there is certainly reason to examine again whether the UK is taking the right approach to tier three of the PBS.

Migration from poor countries to the UK will continue to take place for as long as people can significantly improve their lives by moving. The UK government cannot stop this, but it can make changes to its own rules to ensure that, as well as benefiting the UK, migration also happens in a way that improves the lives of the world's poor. This should be an immediate priority for the current government, as well as a major item on the agenda of the next.

1. Introduction

Migration is a key aspect of today's globalising world. As national economies have become increasingly intertwined, and travel and communications technologies have developed, people around the world have become more aware of the opportunities beyond their borders, as well as more able to travel to seek them out. As a result the numbers of people migrating have risen. Increased migration has led the public in many countries (particularly those most attractive to migrants, including the UK) to demand that these movements be more effectively managed. This is understandable and sensible.

Migration has significant impacts on societies. It may affect a country's employment levels for example (Leon-Ledesma and Piracha 2004), or its fiscal balance (Srisikandarajah *et al* 2005), and has the potential to affect public service availability or shape cultural values. As such, it is the responsibility of a state to its citizens to try to ensure that migration – like any other phenomena – contributes as much as possible to their wellbeing, with any negative aspects minimised.

In response to these considerations a number of major migrant receiving states, including Australia and the UK, have instituted points-based systems. These systems try to identify what kinds of migrants their economies most need (those with a certain level of education or particular skills for example) and allocate points to would-be migrants with those characteristics. This allows a country to select the migrants it feels would contribute most (at least in economic terms) and deny access to others. Skilled migrants in particular tend to be selected by points-based systems (Docquier 2006) (see Box 1 for further details on the UK's system).

Box 1: The UK's points-based system

Entry to the UK via the points-based system (PBS) is for labour-related migration from outside the EU. This system is based around five tiers:

- **Tier one – highly-skilled migrants.** This group can come as they wish, without requiring a prior job offer. They are seen as having important skills (and sometimes financial resources) that will boost productivity and the UK economy.
- **Tier two – skilled workers with a job offer.** This group are expected to fill gaps in the UK labour market.
- **Tier three – low-skilled temporary workers.** The Government has announced that it does not intend to open up this tier in the near future, on the grounds that there are no unskilled gaps that cannot be filled with UK and EEA nationals.
- **Tier four – students.**
- **Tier five – youth mobility and other schemes** where the aim of working in the UK is not primarily economic (for example, working holiday-makers).

The number of entrants via the points-based system is substantial. In 2007, some 82,300 people with work permits and other work visa holders (the precursors to the points-based system) came to the UK from outside the EU, with major countries of origin including the US, Canada, South Africa, India and Pakistan (Home Office 2008). Most were relatively highly skilled, given that the Government has kept tier three (which manages temporary migration into lower skilled jobs) closed.

Source: Chappell *et al* 2009a

While points-based systems appear to have been effective in selecting the migrants a country wants, they are not without problems. One issue in particular, the focus of this paper, is a key premise upon which the system rests – that policy on migration for work should be determined solely by the recipient country's interests. In the UK, these are economic interests, but other national interests such as population targets and social indicators can also be targeted. We identify two key problems with this idea.

First, there is almost no other area of UK policy which is so clearly international in its scope and yet where the sole objective is to maximise benefits to the UK. In a whole range of policy areas there is a recognition that while UK interests are important and must be pursued by the British government, other impacts should also be taken into account. The Government's decision to make the Department for International Development (DFID) an independent department with a requirement under law that aid be spent on poverty reduction – not on projects designed to benefit UK companies or UK foreign interests – was a striking demonstration of this approach. Trade policy too has been explicitly opened up so that as well as seeking to develop the trade opportunities available to British firms, it also recognises that trade is a vital route out of poverty for farmers, entrepreneurs and others in the developing world.

In these cases, and others, the Government has recognised that incorporating the impacts of UK policy on other countries into decision-making can be a smarter and more progressive way of pursuing the UK's long-term goal than the pursuit of narrow self interest. If UK aid and trade help to build richer and more stable countries across the world, this can only benefit the UK in the long run, creating partners who require less aid and are potential markets for British goods, for example. It also has obvious benefits for the UK's international reputation. It is clearly time to examine whether this more balanced, longer-term perspective can be applied to UK policy on migration.

Second, it is clear that migration is not a marginal issue for other countries, particularly those in the developing world. As a number of groundbreaking reports have made clear in recent years (e.g. World Bank 2005, United Nations Development Programme 2009) migration can have very significant effects on a country's development, both positive and negative.

Remittances (the money that migrants send back to their families and to others in the community) now:

- exceed by some margin the amount of money that developed countries give to developing ones as aid
- approximately equal the amount they receive through foreign direct investment (FDI)
- have been more stable than both aid and FDI through the economic downturn.

Remittances play a major role in boosting household incomes. In Tonga, for example, the incomes of poorest households increase by a massive 600 per cent when remittances are included in the family budget (World Bank 2006). Remittances also now constitute a major part of many developing countries' national economies. For example, the amount of remittances received by Tajikistan is equivalent to 45 per cent of its GDP (UNDP 2009).

On the other hand, there are serious concerns that in some cases migration can damage a country's development, for example when it removes another scarce resource much needed for sustainable progress: human capital (Kapur 2001). As points-based systems often try to attract the brightest and most skilled people to come to developed countries, they can exacerbate 'brain drain', depriving poor countries of the highly skilled people they most need. This is often accompanied by a hit on their fiscal resources, as in many cases developing country governments have paid to train highly skilled people, only to see this investment 'wasted' when they migrate and use their skills, spend their money and pay their taxes in developed countries.

Aims and structure of the paper

In this context it is vital that the Government – particularly through the UK Border Agency's International Strategy – take stock of how the points-based system (PBS) and other aspects of the UK's migration regime might be altered to maximise the development potential of migration. This paper examines how this might be done. It focuses in particular on skilled migration. This is not because we think skilled migration is more important than unskilled migration for development (indeed, we note that unskilled migration potentially offers bigger development benefits), but because we perceive a greater appetite in the UK for amending policies on highly skilled immigration in order to shape migration's development impacts. In the Government's consultations of citizenship, for example, brain drain is prominently mentioned (Home Office 2010).

In fact, the question of low-skilled migration from developing countries to the UK is currently 'off the table' with policymakers. The Government's current view is that the UK's needs for low-skilled labour can be met from within the EU, so tier three of the PBS (which would allow for low-skilled migration from outside the EU) is currently closed. In light of this, we have focused our discussion here on skilled migration (through tiers one, two, four and five of the PBS).

To answer how the UK's PBS and other migration policies can maximize the development impact of migration – particularly skilled migration – to the UK, the paper proceeds as follows. Section 2 sets out a framework for thinking through the relationship between (skilled) migration and development. Section 3 introduces current evidence. Section 4 then draws the evidence together into a framework that can be used to assess any potential changes to policy. Section 5 sets out the kind of policy changes that the UK government might want to consider, and gives some thoughts about how each might work. Section 6 presents recommendations and conclusions.

2. Skilled migration and development: understanding impacts

This section examines the theory on migration's development impacts, exploring the routes through which migration can have an effect on development, the kinds of impacts it appears to have, and the factors that shape those impacts.

How does migration have an effect on development?

There are six routes via which migration can shape development (Chappell and Glennie 2009). Three are direct – comprising the actual flows of people moving, and three are indirect – things that occur as a result of migration. We begin with the direct impacts:

1. *Emigration from developing countries*: When people leave their country of birth to move elsewhere this can have important effects on development. As discussed above, if the people are skilled this is often termed 'brain drain', and if it leads to an overall decrease in the numbers of skilled people in a country or sector it can cause that country or sector harm. For example, if emigration leads to fewer doctors in the country concerned, this may damage healthcare (Awases *et al* 2004). In poor countries, moreover, poorer health services are not a marginal issue. They mean child deaths becoming even more common and unacceptably high risks of maternal mortality. It is these sorts of outcomes that those who wish to limit brain drain are, for good reason, looking to avoid.

However, understanding the impacts that migration has on development is not as simple as examining the direct impacts of migrants' departures. Were this the only route, it would be relatively easy to design policy prescriptions which could improve migration's development impacts – we would attempt to identify the kinds of people who make the most important contributions to the development of their home countries, and then examine whether it is possible to alter the PBS to prevent them from coming to the UK. However, as set out below, there are five other routes by which migration can affect development outcomes. To design optimal policy, government must consider the whole picture, not simply numbers of 'development-promoting' citizens departing their countries of origin.

2. *Immigration to developing countries*: The second way in which migration can affect development is through immigration. Although it is sometimes assumed that most migratory movements involve people moving away from the world's poorest countries and towards the richest, in fact patterns of movement are more complex than this. Many migrants move from one developing country to another, often to neighbouring countries. In West Africa, for example, many Nigerians move to Ghana and many Ghanaians move to Nigeria (Adepoju 2005). In some places this movement to neighbouring countries is predominantly for work and in others it is motivated by war or persecution.

Developing countries also experience migration from countries outside their region, including migrants moving there for business, for family reasons and for work in the development professions. In some cases immigration may substantially compensate for emigration, and some developing countries are net immigration countries in that they receive more migrants than they lose. These countries include Cote D'Ivoire, Libya and Gabon (SASI Group and Newman 2006).

3. *Return*: Recent research (e.g. see Lucas and Chappell 2009) has emphasised that migration for settlement is only one component of international migratory movements. In a globalised world with better communications, many migrants move more than once, and with the intention of only staying in the destination country for short periods. Evidence suggests that skilled migrants tend to be more mobile than the unskilled (Finch *et al* 2009). In some cases this leads to 'super mobility', particularly among elites who can move between many countries in search of the best opportunities. In others, it means return migration, with people (particularly the young) spending a period abroad before returning home. Where this happens, skilled emigration can become 'brain circulation', with the loss of skills to developing countries only being temporary.

Moreover, return migrants often bring assets back with them. These can include new skills, ideas, and ways of doing things ('brain gain'), as well as hard financial assets. One study of Jamaica, for example, showed that the majority of returned migrants said that the experience of living abroad had made them more committed to the need for gender equality in Jamaica – an attitude which must be considered an asset, however intangible. It also showed that the majority of returning migrants returned with some financial assets. A sub-group of these migrants indicated that they had returned to start a new business or take up new employment, which these assets would presumably help them to achieve (Thomas-Hope *et al* 2009).

Similarly, when a doctor departs a poor country she may temporarily reduce the stock of healthcare professionals in that country, but if she returns several years later having studied and worked in a different environment she may bring back more skills and new ideas. As a result, the overall impact of her movement may be positive rather than negative.

4. *Incentives*: Moving now from direct to indirect ways in which migration can affect development, we turn to the role of incentives. Migration has the power to transform the lives of people from developing countries. It has been calculated that migrants can see their income increase fifteen fold, see education enrolment increase by 95 per cent and see the risk of child mortality reduce sixteen fold (UNDP 2009). The prospect of this level of personal advancement is clearly going to be very attractive and as such has the potential to change behaviour. Specifically, it has been suggested that would-be migrants look at the conditions under which people migrate, and change their behaviour in order to be more like the typical migrant and have a greater likelihood of successfully migrating.

This effect is vital to debates on brain drain because if skilled people are more likely to be able to migrate than the less skilled (which, under points-based systems tends to be the case), or if the returns (such as pay) are larger for skilled than unskilled migration, this may give people an extra incentive to invest in skills. These incentive effects would not help development if all those who 'up-skilled' emigrated, but that is not the case. In other words it is possible that brain drain can, by inducing others within the labour market to continue in education and develop their skills, turn into brain gain, having a positive rather than negative effect on a country's pool of skilled citizens (Docquier 2006).

5. *Remittances*: As well as bringing finance back with them when they return, migrants are also a very valuable source of finance while they are in their country of destination, by sending remittances, as set out in section 1. Remittances are important both at the macro level providing large amounts of scarce finance to developing countries as well as at the micro level, where evidence suggests they play a role in reducing household and even community poverty.
6. *Other transfers and diaspora contributions*: Diasporas are not just a source of financial support to their countries of origin through remittances, however. While they are abroad migrants are often in close contact with their families and others in their country of origin (Thomas-Hope *et al* 2009) and therefore have the potential to shape their attitudes, values and actions.

For example, a study of Jamaica showed that where a household had a member currently living abroad they were more likely to spend money on healthcare, whatever their budget. In other words, they placed a higher priority on healthcare than households without a member living elsewhere. Moreover, their patterns of healthcare spending were different to households without migrants. They spent less on traditional medicines and more on the kinds of healthcare Jamaican migrants would be used to in the countries they move to (primarily the UK, US and Canada). This suggests that the attitudes and ideas of the migrants may have filtered back to their households and led them to change their attitudes towards healthcare (Lucas and Chappell 2009).

These kinds of influences can go far beyond impacts on migrants' households. For example, diaspora communities from developing countries have been shown to have important impacts on politics, as in Iraq and Sri Lanka in recent years (Vertovec 2006).

Having set out the six mechanisms by which migration can affect development it is important to discuss the nature of these impacts. The examples set out above show how diverse migration's development impacts are, including effects on national healthcare provision, gender equality, business start ups, national skill stocks, national financial resources, household poverty, household attitudes to healthcare and political governance. A holistic view of development suggests that impacts in all these areas matter. Indeed, any change that increases the opportunities people have to improve their lives, whether economic, social or political, should be classed as enhancing development (Chappell and Sriskandarajah 2007).

It is particularly important here to emphasise that the impacts of skilled migration should not just be viewed through the brain drain/brain gain lens of whether migration leads to more or fewer skilled people living in a developing country. While this can be an important development issue, and is a sensible first impact to examine, migration's development impacts go far beyond the level of a country's stock of skills.

In addition, it should be noted that migration can have development effects at four different levels. It can affect the migrant themselves, it can affect their households and families, it can affect their communities, and it can affect their countries. All four levels of impact, on all aspects of development (economic, social and political), through each of the six channels set out above, should be considered by policymakers.

Factors that shape migration's developmental impacts

The analysis presented above only gets us part of the way to understanding migration's development impacts. The kind of migration taking place and the context in which it happens are vital in shaping its effects. For example, though we can say there might be a relationship between returning migrants and the skills base of a country, we cannot say necessarily whether this will be positive, because the migrants have gained valuable skills while living abroad, or negative, as migrants have 'de-skilled', spending their time abroad working in jobs which didn't require their expertise (so called 'brain waste' – a particular problem for irregular migrants). Here, what migrants do while they are away is vital.

It is important, then, to identify the factors that shape how migration affects development. Drawing on previous research (see Chappell and Glennie 2009, Chappell and Sriskandarajah 2007, Heath 2009, Kapur 2001, Lucas 2001 and Maimbo and Ratha 2005) we would suggest the following factors are particularly influential:

- *The total numbers of people moving.* This matters because the effects of a person migrating will vary dramatically depending on how many others have also left. We examine below whether there is a level of migration above which extra migration appears damaging.
- *The environment in a migrant's country of origin.* This includes the economic, political and social climate and the ways in which these shape the opportunities open to the migrant. Generally, though not always, the better the environment in a migrant's country of origin, the more likely it is that migrants will want to interact (and consider returning).
- *The environment in the country of destination.* The more positive, receptive and open an environment migrants experience, the more likely it is they will be enabled to positively interact with their place of origin.
- *The length of time migrants spend abroad.* Some research suggests that shorter periods of time away mean more interaction with the migrant's country of origin, as ties remain stronger (more remittances sent back, for example; see Dustmann and Mestres 2009).
- *The migrant's reasons for moving.* Where movement is voluntary it appears that the benefits to the migrant and their family are greater (Latorre and Chappell 2009). This is at least in part because the migrant has been able to plan their move, and anticipate any negative consequences in advance (for example, arrange alternative childcare arrangements if they are leaving their children behind), as well as make plans to maximise the positive aspects of migration (for example, arrange a low cost way of remitting money). Voluntary migrants are also more likely to engage constructively with their country of origin while away.

- *The legal status of the migrant in their country of destination.* The bulk of research suggests that irregular migrants gain less from migration than those in the country legally, as they can earn less money, are more at risk of being exploited, and are less able to use and develop their skills. This is bad for their own development and means the benefits they can generate for their country of origin also tend to be smaller (Sabates-Wheeler *et al* 2007). Irregular migrants are also less likely to return, given that they lack the documentation that would enable them to move across borders with ease and that if they leave their country of destination (either voluntarily or as a result of deportation) the barriers to subsequent migration are very high (Finch *et al* 2009).
- *How established a migrant community is abroad.* The size and history of a migrant community can be important in shaping migrants' activities and developmental impact. If a community is well established they appear more likely to engage in the development of their country or origin.
- *The socio-economic and demographic characteristics of the migrant* – including their gender, age and skills. A number of analyses suggest, for example, that women tend to remit a greater proportion of their income (e.g. see Martin 2007).
- *The socio-economic and demographic characteristics of the migrant's household* – including their income level, average level of education and size. Migrants who come from poorer households, for example, may remit more as they feel a stronger obligation to help those left behind (World Bank 2006).
- *The sectors migrants work in.* Some sectors, particularly high technology sectors, have greater potential for knowledge acquisition and therefore technology transfer. They also tend to be fast moving, so firms and countries in the developing world gain more from up-to-date information transmitted through migrant networks. In slower moving sectors these advantages are not as important.
- *Migrants' ties with the country they have left behind.* An emotional attachment to the migrant's home country, or family left behind, can significantly alter the impact of migration. For example, many Caribbean migrants have a 'return ideology', meaning they intend to return one day. Evidence suggests these ties do bring people back (Thomas-Hope *et al* 2009, Gibson and McKenzie 2009). But whether migrants return or not, this ideology also means their ties with family, friends and institutions in their country of origin are likely to be stronger, facilitating stronger interactions (Conway and Potter 2007). In some cases migrants may feel they need to earn the right to return in the future by assisting in the present.

These shaping factors are particularly important because they suggest a range of ways in which policymakers can influence the development impacts of migration. We would suggest that the UK policy framework, through immigration policy (including the PBS), integration and anti-discrimination policies, labour market regulation, and citizenship and settlement policies, can potentially shape:

- the characteristics of the people who arrive in the UK as migrants from developing countries
- how many of them come
- the countries they come from
- the environment they enter here and the kinds of experiences they have
- the length of time they spend here and their freedom to move back and forth (or not) as they wish
- the nature and strength of the ties they have with the communities they have left behind.

UK policy can therefore potentially exert a powerful influence on development outcomes.

3. Evidence: the impact of skilled migration on development

Having set out broadly our understanding of how migration affects development, we now examine what the latest evidence tells us. We look at what we know about migration's current impacts through each of the six routes, stressing impacts both on skills stocks and wider development effects, and we highlight which contextual factors seem particularly important in shaping outcomes in each case. This should give the UK government a sense of what policies could be changed in order to optimise impacts.

Emigration

We look first at how skilled migration directly affects development through the departure of migrants. Table 1 shows some of the countries with the highest rates of brain drain, ranked by the proportion of their skilled (tertiary educated) people who are living in the OECD (this is the best data we have on brain drain – there is no comprehensive evidence available about skilled migration to non OECD countries).

Country	Proportion of skilled people
Guyana	89%
Jamaica	85%
Haiti	84%
Trinidad and Tobago	79%
Cape Verde	67%
Barbados	64%
Gambia	63%
Fiji	62%
Bahamas	61%
Malta	58%
Mauritius	56%
Sierra Leone	53%
Suriname	48%
Ghana	47%
Mozambique	45%
Liberia	45%
Lebanon	39%
Kenya	38%
Laos	37%
Uganda	36%
Eritrea	34%
Cyprus	33%
Angola	33%
Somalia	33%
El Salvador	31%
Sri Lanka	30%
Nicaragua	30%
Ireland	30%

Source: Docquier 2006

While the figures above may look dramatic, it should also be noted that the extent to which developing countries are affected by brain drain varies widely¹. Many developing countries are not witnessing large-scale skilled emigration. For example, Docquier estimates that 23 per cent of developing countries have less than five per cent of their skilled people abroad (Docquier 2006), and Turkmenistan for example has less than one per cent of its skilled people living abroad (World Bank 2005).

Where brain drain is severe, however, it tends to occur alongside major shortages of skilled personnel, with stocks of scientists, engineers and health professionals often identified as worryingly low (Gibson and McKenzie 2009). For example, in 2002 the Ghana Health Service found that its physician workforce was experiencing a 47 per cent shortfall in numbers, with a nursing workforce that was even more depleted, missing 57 per cent of the staff it would need just to be functioning at an adequate level (Buchan and Dovlo 2004).

However, it is not inevitable that skilled emigration reduces skill stocks to damaging levels. It is important, first, to examine the extent to which raw brain drain might be compensated for by other channels (such as immigration), so that overall skill stocks do not fall. It is also crucial to examine whether the impact of falling skill stocks on development might be counteracted in any other way by other, positive, impacts (so, for example, while stocks of doctors might fall, household incomes might rise because of remittances sent back, making people less likely to become ill in the first place). Even more immediate, though, is the question of the effects that emigration has on development, by itself. We would suggest four issues deserve particular attention:

Impacts of migration on the individual

Most analyses of brain drain have focused firmly on the impacts on the total numbers of skilled people in a particular country or sector. This focus on the country level, however, can obscure some of the other important development impacts that skilled migration can have.

As emphasised in section 2, development impacts include those at an individual level, including impacts on the migrant themselves. A number of studies (e.g. Pritchett 2006) have shown that migration is the most effective strategy available to an individual to raise his or her standard of living, beyond common development-promoting interventions such as establishing a business, increasing their level of education or having access to land.

Despite this, however, the approaches used to calculate the impacts of migration typically leave out this effect. Analyses of the effects of migration in the 'host' country usually only include effects on those born there, and effects in the 'home country' usually only include those living there at that moment in time, meaning benefits accruing to migrants are missed in both calculations. But when migrants are people born in developing countries they are part of the group which the development 'project' seeks to assist, and dramatic improvements in their lives through the opportunities presented by migration should not be discounted. They should instead be recognised as a major benefit of skilled emigration.

Barriers limiting the contributions of skilled people

The damaging effects that 'brain drain' produces at the national or sectoral level might not be nearly as harmful as is commonly thought, even if they do lead to a net loss of skills. Often the thought experiment conjured up to consider brain drain involves assuming the person concerned was doing something hugely socially useful, for example working as a midwife or a nurse, and the impact of brain drain involves calculating the number of births they could ideally have safely delivered each year, or the number of injections they could have given. But perhaps our thought experiment is misleading. Perhaps our midwife or nurse does not have the medical equipment or drugs to allow them to utilize their skills to the full and so they are not productively employed in their home country. Only when we begin to understand what removing them from their work involves can we begin to calculate the impact of skilled emigration on the community migrants have left.

1. Though the fact that it only addresses emigration to the OECD is problematic, we do not think this invalidates this analysis. We expand on this later in this section.

A number of papers have shown that in many poor countries there are domestic barriers to skills being deployed in the most valuable way, even when skilled people remain within the country (Clemens 2009, Buchan and Dovlo 2004, Awases *et al* 2004). These include the fact that:

- Skilled people may be unemployed or in jobs that do not require their skills – a particularly significant problem in countries like Egypt where there is chronic under-employment.
- The skilled tend to concentrate in urban areas, so that those in rural areas – who include many of the poorest – may still lack access to their skills.
- In a number of countries, those with skills that could be of use in public services (like doctors and nurses) appear to find the private sector more attractive, as for example in South Africa where the majority of publicly trained doctors work in private medicine (Clemens 2009). Many publicly trained doctors in Ghana are also found in the private sector, where wages are much higher (Buchan and Dovlo 2004). This matters for development because the poorest people are unlikely to be able to afford private sector medicine.
- Skilled people's effectiveness may be limited by a lack of the other tools they need to do their job properly. For example, a nurse can only give tens of vaccinations a day if she has the vaccine and sterilised needles. Evidence from many countries suggests that skilled people often lack these other inputs that are required for them to be effective.

The extent to which these barriers together limit the contributions of skilled workers to developing country labour markets is much debated (see Clemens 2009 and Docquier 2006 for contrasting perspectives) and it undoubtedly differs depending on the country and workers in question. However, it is important to recognise the underlying point that a skilled worker only contributes as much as they can to an economy in the right environment. Skilled emigration may not be the sole, or even major, impediment to converting a skilled workforce into substantive development gains.

All this said, however, skilled and educated people are not only of benefit to a country because of their role in the labour market. A range of evidence (e.g. Conway and Potter 2007, Kapur 2001) makes clear that skilled people make important contributions to the institutional development of a country, to politics and to culture. Even if skilled people are not able to use their skills in their country's economy, they may still play an important social role and when they depart this influence disappears. This social effect is difficult to isolate, but most of the evidence suggests it is significant and is one reason why brain drain should be considered damaging (if it is not compensated for through other channels, as will be discussed below).

Root causes of migration

It is important to recognise that migration may not be a genuine cause of poor outcomes in developing countries, indeed it may be more accurately interpreted as a symbol of poor development or even a direct result of it. In the previous example, if the nurse who lacks the equipment she needs to carry out vaccinations leaves, it would not be correct to say that migration was the cause of poor vaccination rates since she could not have carried out the vaccinations even if she had remained. Indeed it may be that the lack of equipment is what causes her to migrate, as she feels frustrated that she is unable to carry out her work properly.

Several studies show that wanting to use their professional skills in a supportive environment is an important motivation for skilled migration (e.g. see Buchan and Dovlo 2004, Chappell *et al* 2009b). Alternatively it could be that a third factor, such as armed conflict, is the underlying cause of both the lack of medical equipment and of the nurse's decision to migrate. Simply observing high rates of migration from developing countries does not mean that they are a cause of a lack of development. It may be that the lack of development is causing people to migrate.

Clemens makes this point clearly using an example from another field. He suggests that no one would say 'hyperinflation is caused by shopkeepers deciding to raise prices rapidly' even though this is strictly correct. In a situation of hyperinflation, shopkeepers' choices merely reflect the underlying cause – the Government's decision to undermine the value of money by printing far too much.

Therefore the statement that ‘there are not enough doctors in Ghana because they are migrating’, for example, could be said to lack meaning. We need to look beyond migration itself and search for the real causes of departure. This is doubly important because the factors that make skilled people decide to leave a country in large numbers are likely to be the causes of other developmental problems as well (Clemens 2009). Focusing on brain drain may be a distraction if our objective is to tackle the major underlying constraints to development.

Data limitations

Is it possible for policymakers to identify and respond to brain drain accurately and quickly, should they decide to? Doing so relies on data being available which shows where skilled emigration is taking place. As mentioned previously, the best data on brain drain is a dataset compiled by Docquier and Marfouk (see Docquier 2006), but as is often the case with migration there are a number of problems with the available data:

- It only refers to movements to the OECD, leaving out skilled migration to neighbouring countries and to the Arabian Gulf (both common destinations for emigrants from developing countries), as well as other kinds of movement. Though this certainly leads to an incomplete picture, we suggest it is not a fatal problem. Most skilled migrants probably do head for OECD countries where the demand and rewards for their skills are likely to be greatest, even if migrants as a whole go to more diverse locations.
- The dataset uses the censuses of OECD member countries to measure the number of skilled migrants in each location. Censuses, though a good source of information in many ways, are only conducted every ten years and involve collecting vast amounts of data which may not be processed quickly. This means that the data will only be updated ten-yearly and may even be out-of-date at the moment of release.
- To calculate the extent of brain drain we are not just relying on data to accurately show how many skilled migrants are living abroad, we also need it to tell us how many skilled people remain in their country of origin, in order to work out how big a proportion of the ‘brains’ have ‘drained’. In some cases these estimates of the skill levels of people remaining at home are missing (and have to be estimated using data on similar countries) which will affect the accuracy of overall brain drain estimates².
- These datasets cannot give us any insight into the question of fiscal impacts of brain drain, as they do not contain any information on where the migrants studied and whether it was funded by the government of their country of origin.
- This data cannot be used to examine sector-specific shortages, only national-level shortages. This is problematic because some research shows (Docquier 2006) that certain countries experience skill shortages in specific sectors (such as medicine) even if at an aggregate level they have enough skilled people. We think this problem is unavoidable and policymakers must recognise that at present sectoral and occupation-based ‘solutions’ to brain drain are impractical.

These problems, while significant, do not lead us to conclude, however, that current data cannot be used to design policy measures to address brain drain where desired. The available data is still of a good enough quality to signal when a country may be experiencing a severe and prolonged brain drain at the national level, and allow us to design policies to address this, should they so wish.

2. Some research (Docquier 2006) tests how much using different data on skill stocks affects the results. When measures of brain drain are calculated using a different measure of skill levels in developing countries they have about a 90 per cent correlation with the estimates generated using the standard skill measures.

We finish this section with a summary of the key points made about emigration which must be borne in mind in devising any policy responses:

Summary: Emigration

- Countries are not all affected by brain drain to the same extent. Some developing countries experience very little (with less than five per cent of their skilled people living in OECD countries) whereas others experience dramatic rates of departure (with more than 80 per cent of their skilled people living in OECD countries).
- Skilled emigration is not the sole cause of problems in sectors or countries with low numbers of skilled people. Indeed in many places it appears that it is not even a major cause. Domestic problems (like low employment levels or lack of other resources required by skilled people to do their jobs) mean that the contributions of skilled people are often limited even when they remain at home. In some cases migration appears to be more of a symptom than a cause of poor development outcomes.
- Despite this, in countries where very large numbers of people migrate there may still be a case for exploring potential policy responses to try to boost skill stocks.
- It is possible to identify these countries, though data problems preclude any policy approaches based on addressing sectoral or occupational skills shortages. Poor data also limits the applicability of options that rely on very accurate and regularly updated information.
- Any potential 'solution' must appreciate the developmental benefits gained by the migrants themselves through leaving.
- Any potential 'solution' must also address the reasons that people leave. This is particularly important as these motivators are likely to also be the source of other development problems.

Immigration

There is much less information available about immigration to developing countries, partially because data on these movements is poorer than data on migration to the countries of the OECD, as discussed previously. However, we are able to put together some analysis of what is taking place.

Evidence on immigration to developing countries

As discussed in section 2, developing countries do experience immigration and some have more people arriving than people leaving. In some of the cases where the largest numbers of people have arrived, however, this is not large numbers of skilled people moving into the country for work who are therefore in a position to fill gaps that result from brain drain.

For example, much of the immigration to Cote d'Ivoire, historically one of the developing countries with the highest levels of net immigration, has involved low-skilled people seeking out work in agriculture. Libya too has experienced high levels of immigration but many of these people are 'transit' migrants who intend to leave Libya in the short to medium term, usually to go to Europe. In other cases (for example, Thailand and Kenya) many of the migrants are refugees who are usually not in a position to find skilled work even if they have the necessary skill set.

On the other hand there are prominent migratory movements to developing countries which do involve skilled people in a position to use their skills. One example is the much discussed movement of Chinese nationals to Africa, many of whom (at least according to anecdotal evidence) are skilled business people. There are also migrants moving between developing countries who are explicitly recruited to fill gaps, for example Cuban and Nigerian nurses who have been recruited to fill skills gaps in Jamaica (Thomas-Hope *et al* 2009). Moreover there are also professionals in the development 'industry', including both Western nationals and those from other developing countries who undertake a range of skilled jobs.

Impacts of immigration

Two questions should be asked about this immigration. First, are the numbers and types of migrants moving able to play a significant role in mitigating brain drain? Some studies (Kapur 2001) suggest that there are approximately 100,000 foreign experts working in Africa, which is about the same number of tertiary educated Africans working in the OECD. This suggests immigration may play a significant role in mitigating brain drain, at least in some African nations. Second, we must ask if immigration is an efficient way of addressing brain drain. There are a couple of potential reasons why it might not be.

While immigrants may formally have the required skill sets, it can be argued that because they are immigrants without the same levels of local knowledge as nationals they will be unable to contribute as much as a skilled national would, either through their work or in broader social terms. We reject this argument. Research in developed countries suggests that immigrants have the potential to play as great a role as nationals of those countries (Srisankarajah *et al* 2007) and in some cases provide things that local people cannot, such as new perspectives (Nathan 2008). It seems likely that these findings can be transferred across to immigrants to developing countries.

However, a second concern about immigration to developing nations is that it is an expensive and inefficient way of obtaining a skilled population. The costs of paying for skilled experts in development, for example, is well known. Foreign staff are often paid on different pay scales to domestically recruited personnel and in some cases these costs consume a large part of development budgets. Moreover, high wages are not the only costs associated with this group. There are also 'transaction costs' associated with getting an immigrant/foreign expert in position. These could be absorbed easily were they one-off costs, but where immigrants make up a substantial stock of the people in a sector and turnover is high (as is often the case in this context) these costs are likely to become considerable.

Immigration

- Immigration is part of migration flows to developing countries and in some cases it is a significant part of the picture. It should not be ignored in discussions of skilled migration.
- Developing countries can benefit from immigration. It can bring in skills and may bring people with new attitudes, knowledge and assets. It is important, then, that developing countries' immigration policies strike a balance between control and openness. In many cases this means a shift towards greater openness.
- Countries like the UK should recognise the interrelationship between their own migration policies and developing country policy decisions. Developing countries often respond to decreased access for their citizens to countries like the UK with reciprocal measures. This suggests that any alterations made to the PBS that restrict access for developing country nationals may also reduce immigration possibilities to that country. This could be bad both for British citizens wishing to travel there as well as the developing country's ability to boost skill stocks.

Return

We turn now to the evidence on return (which includes temporary return, including circulation between countries, as well as more permanent return). Drawing on our theoretical discussion in section 2, it is important for us to understand a number of issues, including the numbers of people who return, whether they come back with assets (financial or non-financial) and the effects of this on development. We also explore the role of contextual factors, which appear very important in shaping the contributions that return has.

Number of migrants returning

The received wisdom may be characterised as: highly skilled migrants do not on the whole return to a developing country of origin, except perhaps if it has already demonstrated a strong and sustained period of economic growth (see, for example, Docquier 2006). However, recent research somewhat contradicts this traditional view and suggests that return to many countries is relatively common and is possibly becoming more so.

ippr and GDN find that return is relatively frequent across a range of countries (the countries examined include Georgia, Ghana, Jamaica, Macedonia and Vietnam), such that between around 12 per cent and 37 per cent of those who originally emigrated appear to have returned (ippr and GDN 2010). This equates to between 0.6 per cent (Vietnam) and 8.9 per cent (Jamaica) of the populations of each country being returnees.

Context of return

Some research suggests that rates of return can be even higher in some places, with research into the behaviour of the very highly skilled in the Pacific (Gibson and McKenzie 2009) suggesting around a third of the highly skilled group from each country are returned migrants, who lived abroad previously but have now returned to their country of origin. It seems likely, however, that findings from the Pacific studies cannot necessarily be generalised. These nations are distinguished by several factors, being mostly middle and high-income countries, as well as places with a very strong sense of culture and of extended familial ties, both of which feed into the creation of 'return ideologies', as discussed in section 2.

Indeed, family and social ties are a powerful motivator of return wherever they are found, as repeated studies have shown (e.g. see Finch *et al* 2009, Gibson and McKenzie 2009, Pollard *et al* 2008). This point is reinforced by work that shows that where immediate family members are able to migrate alongside the main economic migrant, ties to the origin country are weakened (Lucas and Chappell 2009) and return seems less likely (Faini 2003).

The importance of context in shaping return is demonstrated by further research. A study from the 1990s (Finn 1997, quoted in Lucas 2001) looked at whether or not foreign students in the US return to their countries of origin (the group concerned were studying for a PhD in science or engineering). It found that while it was very common for students from countries like Japan and South Korea to go back (only 13 per cent of Japanese PhDs and 11 per cent of South Korean PhDs respectively remained in the US five years after graduating), this was very uncommon among those from poorer and/or less politically free countries: 88 per cent of students from China remained in the US five years later, as well as 79 per cent of those from India³.

In sum, current evidence paints a much more nuanced picture of who returns and why than previous research had suggested, and also possibly finds return to be more common than previously suspected. Indeed, it could be suggested that the majority of migrants probably at least consider return (either permanently or temporarily), even if they do not always make the move. However, migrants that have severed familial ties with their country of origin and/or come from countries that are faring very badly seem less likely to consider return. But these migrants aside, it appears that the increased migration we are witnessing with globalisation is characterised not just by increased migration for permanent settlement abroad, but also by increased levels of super mobility, circulation and return.

Effects of return

To understand the effects of return it is useful to examine what returning migrants take back with them and what they do once they have returned. As set out in section 2, evidence from Jamaica suggests that returning migrants usually bring back new, often progressive attitudes (becoming more supportive of gender equality for example) and finance, through savings they have accumulated abroad (Thomas-Hope *et al* 2009). Various studies also suggest that some returned migrants had undertaken formal study abroad which they may not have undertaken had they remained at home

3. Recent changes in these countries may mean that they are now viewed differently by their migrants, as the research was conducted some years ago.

(Batista *et al* 2007), increasing their formal skill levels, though the extent of this effect appears relatively limited (e.g. see Nikolovski *et al* 2009).

Other studies suggest that many highly skilled migrants play a role in technology diffusion on their return (e.g. Lucas 2001), bringing back technical and other knowledge that helps boost the competitiveness of firms in their countries of origin. In India, for example, returning migrants appear to have played a major role in establishing India's highly successful IT industry (Kapur 2001).

Together this evidence suggests that the return of the highly skilled may have a strong and positive impact on development outcomes. First, return can have important direct impacts on skill stocks. In countries where social and familial bonds are strong and development outcomes are not poor, many migrants appear to return (though still a minority, it appears, of everyone who originally emigrated), meaning that the brain drain is not a permanent loss. Moreover, some will have formally upgraded their skills while away, so that migration has added to their skill sets, and their return brings extra skills to their countries of origin. It seems unlikely, however, that in the majority of countries these two effects together will compensate for the direct loss of skills through emigration. Stocks of skilled people will still probably be lower than if emigration had not happened in the first place.

However, the second effect that return migration has on development is that returning migrants appear to bring back with them a host of new attitudes, knowledge and financial assets, all of which can contribute to development, and which they could not have gained without emigrating. These effects are not dependent on the impact that return migration has on formal skill stocks (the numbers of skilled people who return). Rather, research makes clear that overall numbers are less important to these sorts of effects than the effort of individuals. One or two people can transform a community or an industry.

Conway and Potter, for example, document the contributions made by a migrant who returned from Detroit to Trinidad and was instrumental in energising the Santa Rosa Carib Community to symbolically 'reclaim' and preserve Carib indigenous traditions. Return migrants were also instrumental in energising a community in Puerto Rico to thwart an environmental threat to their homes by campaigning against Monsanto. They have also been part of the increasing activity in recent years of non-governmental organisations in some Caribbean islands, who have undertaken successful conservation initiatives, among other projects (Conway and Potter 2007). Finch *et al* similarly document the increased engagement of returned migrants with various progressive issues and causes on returning to their countries of origin from the UK. Pakistani returnees highlighted human rights in particular and Ghanaian migrants environmental issues (Finch *et al* 2009).

Summary: Return

- Recent evidence suggests skilled migrants do quite often return to developing countries, both temporarily and permanently, contrary to previous received wisdom.
- Return is more likely under certain conditions:
 - If the country of origin has a satisfactory level of economic development (the least developed countries are probably doing too poorly for many migrants), and political freedoms.
 - If the migrant has immediate family in the country of origin, or other strong family or cultural ties.
 - If policy in the country of origin does not discourage return or make it hard for the migrant to maintain ties in their origin country. Unfavourable policies could damage the 'ideology of return' which not only promotes return itself but also enhances other ties between migrants and those in the places they have come from (like the sending of remittances).
- In most countries return is likely to partially compensate for the direct impacts of emigration on skill stocks, by bringing some skilled people back, some of whom will have upgraded their skills while away. However, return does not look likely to completely reverse the impact of the initial emigration on skills in many places.
- Many returnees come back with other assets, like finance, which make important contributions to development in a variety of ways. Even a single returnee can have a major impact on a country's development.

Incentives

The question of incentives is vital to understanding the net effect of migration on skill stocks, as most of the research that has been done says it is this – not immigration, return, or any of the other channels we are about to examine – that is most likely to mitigate the effects of skilled emigration, at least in terms of its direct impacts on skills stocks.

It is important first to reprise the way in which this route works. For many people migration is by far the best personal strategy for personal advancement (and to support their family through remittances). As it is easier to migrate with a high level of skills (because of systems like the PBS which prefer skilled migrants to unskilled) it seems likely that people in developing countries may invest more in skills than they otherwise would have done in order to have a greater chance of being able to migrate. Moreover, as not all these people will subsequently leave the country, it will retain some skilled people who, without the existence of highly skilled migration around them, would not be as skilled.

The key question is the strength of this effect. Is the incentive effect fairly marginal, only leading to a few people gaining skills who do not subsequently migrate? Or is it (at least in some countries) strong enough that the country ends up with more skilled people than it would have in a scenario where there is no emigration?

Evidence on incentive effects

The best evidence on incentive effects tends to suggest that the effects are strong and positive. In-depth and rigorous studies of Fiji and Cape Verde show that even in countries with very high rates of skilled emigration (and both are in the top 10 brain drain countries globally as listed previously) the incentive effect outweighs the effect of departures, leaving the countries better off than they otherwise would have been. In Fiji, despite the fact that the country may have lost 40 per cent of one ethnic group (Indo-Fijians) to migration since 1987, and the vast majority either as skilled migrants or as their dependents, the total numbers of skilled Indo-Fijians remaining in Fiji has risen. The paper carefully marshals evidence to show that it was incentive effects, rather than any of the other routes, that were at work (Chand and Clemens 2008).

In Cape Verde the results are similarly positive. Though the country is experiencing high rates of skilled emigration, which might be expected to reduce skills stocks, this research found that if emigration were somehow stopped the numbers of skilled people in Cape Verde would fall dramatically. This is almost entirely because the incentive to gain education in order to migrate would disappear. The authors estimate that if no one in Cape Verde was able to emigrate, the educational achievement of the people living in Cape Verde would be significantly less than it is now, with numbers of people with primary and secondary education falling by about a third and those with tertiary education dropping by about 40 per cent (Batista *et al* 2007).

This country specific work is complemented by studies that look at skilled emigration and skill stocks across various countries. A set of papers have tried different approaches to examine how skilled emigration affects stocks of skills, each examining what determines whether skilled emigration has a positive or negative impact on skills stocks, and they suggest that their findings are the result of the incentive effect (Beine *et al* 2007) (though it may be, as Batista *et al* point out, that other routes of impact are also influencing their analysis (Batista *et al* 2007).

Cumulatively, this work suggests a couple of key findings. First, up to a certain level, skilled emigration has positive impacts on skill stocks. In other words, some countries can have too little brain drain. They would benefit from the incentives (as well as the return and the remittances) that skilled emigration would induce. Second, above a certain level, brain drain is damaging, and increasingly so (meaning that the damage is not linear but exponential).

The key is finding where this dividing line between benefit and harm is drawn, and whether it falls in different places for different countries. Taking the latter question first, the latest evidence (Beine *et al* 2007) suggests that incentive effects predominantly benefit the very poorest countries – low-income countries and perhaps some of the lower middle-income countries. By contrast they find that skilled emigration has little benefit through incentives for richer countries.

Regarding where the line between benefit and harm is drawn, this paper and others (Beine *et al* 2006, Docquier 2006) suggest that, for the poorest countries, where skilled emigration is below five per cent of the country's population the nation would benefit from having *more* skilled people abroad. The 'best' proportion of people to have away is somewhere between 10 and 20 per cent, and when the proportion away is above 30 per cent then harm may be taking place, and increasingly so as skilled emigration rises above that limit.

Two caveats must be added to this work, both of which suggest that skilled emigration may be even more positive for development than this work suggests. First, the country specific studies discussed first in this section were of the non-low-income countries Fiji and Cape Verde, with the former at least involving levels of skilled emigration substantially higher than 30 per cent (levels of skilled emigration in Cape Verde are subject to some dispute, though all are agreed they are significant). According to the cross-country studies these countries should be experiencing significant negative impacts on skill stocks as migration would not provide a strong enough incentive to invest in skills to balance out brain drain, but that is not what the papers find. This suggests that in some countries at least, emigration may induce increased investment in skills even in middle-income and high emigration countries.

Second, the finding that incentive effects are strongest in the poorest countries but weaker in richer ones suggests a fairly neat complementarity with effects that operate through the other routes. While middle-income countries may not gain as much in skills through incentive effects, it seems likely they will gain more through return, and as will be discussed later, possibly through transfers from the diaspora. They are also likely to make better use of their skilled people in the first place, as barriers to their effectiveness, such as a lack of other inputs, are likely to be lower.

Summary – Incentives

- Incentive effects mean that some skilled emigration can actually be better for a country than none at all.
- The best evidence suggests that low-income countries in particular will benefit from skilled emigration through incentive effects. These countries should certainly have more than five per cent of their population living abroad to ensure that their skill levels at home are optimised, and ideally they would have between 10 and 20 per cent of their skilled population living elsewhere.
- The benefits other developing countries can derive from skilled emigration are less clear. It seems that incentive effects are weaker the wealthier a developing country is (though with some exceptions, such as Fiji which appears to be benefiting even though it has higher income levels). However, given that many of the other positive impacts that migration can have tend to be stronger in better-off countries, the fact that incentive effects are weaker here is of less concern.
- Our major concern in terms of the impacts that skilled migration may be having on development should focus in particular on low-income developing countries that have more than 30 per cent of their skilled people abroad. This group comprises Haiti, Gambia, Sierra Leone, Ghana, Mozambique, Liberia, Kenya, Laos, Uganda, Eritrea and Somalia.

Remittances

Remittances are a powerful contributor to development, having the potential both to boost skill stocks (by increasing household budgets for education) and to affect many other aspects of life in developing countries.

Remittances as contributors to development

Looking first at the contribution of remittances to education outcomes, and therefore skills stocks, it seems that on the whole, increased remittances lead to increased spending on education, which in some cases will translate into improved attendance of school and higher educational attainment (e.g.

see Lucas and Chappell 2009, Cox and Ureta 2003). This appears in most cases to be the result of household budgets expanding, permitting greater investment in schooling. Some papers (e.g. Fajnzylber and López 2007) demonstrate nuances within this result, showing for example that the effect differs depending on the educational achievement of the parents and the income of the households, but even in these more nuanced analyses we generally still find a positive relationship between remittances and investment in schooling.

There is little evidence, however, when considering all the routes through which skilled migration can affect skill stocks, that suggests that the effect that remittances have on education is hugely important. When set against incentive impacts, for example, the effect of remittances appears valuable but is perhaps more marginal than some of the other routes.

Beyond effects on skill stocks, however, remittances can be powerful contributors to development. Evidence suggests, for example, that they reduce poverty and reduce the risks households face as they tend to continue or even increase in times of crisis, for example having tended to hold steady in most countries even through the global downturn (Ratha *et al* 2009). They also have important macroeconomic benefits, such as boosting stocks of foreign exchange.

Remittances are not a development panacea. Evidence suggests that alongside these positive attributes they can also have some negative impacts in some countries, for example sometimes affecting exchange rates, making developing country exports less competitive. However, these effects are not found everywhere and are generally not considered to outweigh remittances' significant benefits.

Remittances from skilled and unskilled migrants

A key question involves whether skilled migrants remit as much and as frequently as unskilled migrants. The received wisdom in this area is that they do not. It has also been suggested that because skilled migrants tend to be better off than unskilled migrants (having been able to afford to invest in education and become skilled) their remittances will be sent predominantly to the richer in society, doing little to tackle poverty and increasing inequality. Both of these assumptions should be explored.

Tackling first the question of whether the skilled remit as much as the unskilled, almost every academic study that explores this issue suggests that bigger contributions are made by the unskilled (e.g. see Agunias 2006, Fajnzylber and López 2007, Kapur 2001). Indeed, one paper (Ghosh 2006) cites a study that found that in Latin America, each additional year of education that a migrant has reduces the likelihood that they remit by 7 per cent. The usual explanation given for this is that skilled migrants are more likely to migrate with their families, and they are more likely to remain in the country of destination, being granted citizenship and so on, both of which may weaken their links with their country of origin. To the extent that this is true it would certainly at least partially explain why the skilled may contribute less.

However, a recent study has continued to find that the unskilled remit more, even controlling for family location and duration of stay. It suggests that the result may be additionally affected by the fact that skilled migrants come from better-off families, and that the migrant therefore feels less imperative to send money back (Dustmann and Mestres 2009).

Set against this evidence is the fact that many countries are actively aiming to ensure that a larger proportion of their migrants are skilled, on the grounds that this will result in larger remittances. These countries include Bangladesh (International Organisation for Migration 2005), the Philippines (Orozco and Ferro 2008a) and Pakistan (Orozco and Ferro 2008b). In other cases, analyses of why remittances to particular countries have risen attribute the result to an increasing proportion of their migrants being skilled (e.g. Chisti 2007). There are two potential explanations for this apparent contradiction with the academic findings above.

First, it is important to clarify what 'making a greater contribution' means. Some of the academic analyses examine either if skilled or unskilled migrants are more likely to remit or how great a proportion of their income each group sends. It is possible however that even if fewer skilled migrants

remit and those that do so send back a smaller proportion of their income, they could still earn so much more than the unskilled that on average each skilled migrant still sends more money back. It is likely that this explains some of the apparent contradiction. Other rigorous analyses directly compare the average amount sent by each kind of migrant, however, and still find the unskilled send more. This is important, and we believe probably suggests that, on the whole, unskilled migrants do remit more. However, while this might be the overall trend, it seems likely that outcomes vary by country and context.

Turning to the second issue of whether or not skilled migrants' remittances are predominantly sent to richer households, thereby exacerbating inequality, the evidence we have examined is very mixed. One important finding to discuss here is the emerging evidence that migrants do not only send remittances to their households, but spread them much more widely throughout the community. In Jamaica, for example, almost a third of households receive remittances from migrants that 'belong' to other households, and about half of these remittances are sent between people who are not related (Lucas and Chappell 2009), potentially spreading the benefits of remittances much more widely across the income spectrum. Evidence from other studies corroborates this trend (e.g. see World Bank 2009).

Summary – Remittances

- Though they are not without negative impacts, remittances make major contributions to development in many countries.
- Skilled migrants appear, in general, to send less remittances than unskilled migrants. This implies that maximising the development outcomes of migration might involve increasing unskilled, rather than skilled migration.
- Skilled migrants do remit, however. They seem likely to remit more when they have strong family ties in their country of origin and when they are stay away for shorter durations. As policy can shape these factors it has a strong role to play in potentially increasing remittances.

Other transfers and diaspora contributions

The final way in which migration can affect development is through the other actions of the diaspora, beyond sending remittances. This involves other transfers such as of knowledge and skills, and other interactions and contributions which occur for example through building trade links, participating in politics and acting as informal ambassadors for their country.

Transfers of knowledge and skills

Some of this contribution comes through the transmission of ideas, as described in section 2, where Jamaican migrants may have transferred their attitudes about healthcare to their families (Lucas and Chappell 2009). The diaspora can also transfer their skills, by being mentors and sharing their professional expertise, perhaps through short-term volunteering or development projects. This has taken place recently in Sierra Leone, where one diaspora organisation alone has helped more than 800 businesses, providing them with two week volunteering visits from members of the Sierra Leonean community in the UK (Ekong *et al* 2009).

Similarly, the Iraqi diaspora have helped with building local governance capacity and economic development in Iraq (Brinkerhoff and Taddesse 2006). Skilled and professional people appear to have the greatest impacts in this sort of skill transfer, though their effects vary depending on the local context. For the best outcomes it is important for them to be entering a supportive local environment rather than one that is mistrustful of diaspora intervention (Ekong *et al* 2009, Kuznetsov 2006).

Creating economic opportunities

In addition, the diaspora play a vital role in creating economic opportunities for their populations at home. There is some fairly solid and consistent evidence that suggests that migration enhances trade links, FDI and transfers of technology (Kuznetsov 2006). Migrants, especially the skilled, have

knowledge of technologies, products and opportunities in both places which means that they can spot where something might be sourced from one country and applied in another, or where there is an opportunity to be seized. As well as benefiting the migrant, this can have major spillover benefits for others living in their countries of origin and destination.

The extent to which migration affects FDI seems to be shaped by the economic and political climate in countries of origin, which needs, among other things, to protect property rights and provide some economic opportunity (Docquier 2006, Hyop-Lee and Saxenian 2009, Kapur 2001). It also appears to be influenced by the size and development of the diaspora, with larger and more well established communities making greater investments (Docquier 2006).

The characteristics of the migrants themselves matter too, with the diaspora more likely to invest if they are entrepreneurs (rather than professionals or employees) and, perhaps unsurprisingly, if they are wealthy (Kapur 2001). Where all these conditions are favourable, the extent of investment from the diaspora can be very significant indeed, as in China which in 1995 had more than two-thirds of its accumulated FDI coming from Hong Kong, Macau and Taiwan (Lucas 2001).

Diasporas' role in creating trade is also found quite consistently across studies and where conditions are right it appears to contribute significantly to development. Examining global bilateral trading patterns Rauch and Trindade found that the proportion of a country's population that is ethnic Chinese substantially increases bilateral trade, in some cases (such as between southeast Asian nations where there are large numbers of ethnic Chinese) by more than 60 per cent (Rauch and Trindade 2002). Key to this are the familial and cultural networks between people with a common national background.

Skilled migrants appear more important than migrants per se in trade expansion. Head and Reis looking at Canada found that overall a 10 per cent increase in the accumulated stock of permanent immigrants from a typical country was associated with a one per cent increase in Canadian exports to that country and a three per cent increase in imports. The effect was much larger, however, for independent skill-based migrants than family-based, refugee or business immigrants (Head and Ries 1998).

The role of migrants in technology transfer is also believed to be very significant (Kapur 2001, Kuznetsov 2006, Lucas 2001), and may happen in a number of different forms, including through networks of professionals interacting and sharing knowledge, as Korea and South Africa, for example, are trying to promote. It may also result from the movement of people between markets, and the establishment of businesses by migrants who have worked at the cutting edge of a technology and establish a business that works in that sector back in their home country, as IT entrepreneurs have done in India after moving back from the US (Chappell and Glennie 2009). The greatest advantages from technology transfer come when the migrants are working in fast moving, knowledge intensive sectors where there are premiums to up-to-date and in-depth knowledge.

Summary – Other diaspora transfers and contributions

- Diasporas contribute in manifold ways to development besides through remittances and return.
- These contributions can in some cases be very significant, as appears to be the case with trade and FDI under certain circumstances.
- The benefits appear to accrue particularly as a result of large, skilled and well established diasporas who have strong links with their place of origin. They are also enhanced when migrants come from relatively economically successful developing countries, and when they are entrepreneurs or work in technologically advanced sectors. As such they add to the reasons why we may be less worried about skilled migration from middle-income countries, particularly larger nations such as India and China who have substantial, long-standing diasporas.

Summary of Section 3

From the discussions in this section it should be clear that simply experiencing the departure of skilled people does not mean that a country is being developmentally harmed. It is under a particular set of circumstances that skilled emigration appears to damage development. A key dividing line appears to be whether a country is classed as 'low-income' or not. Those with higher levels of income may benefit less from incentive effects but correspondingly appear to gain more from return, from the diasporas' non-remittance transfers and contributions, and also potentially from immigration. Within the non-low-income group our greatest concern may be about small countries (which Docquier classes with those with four million people or less [Docquier 2006]), where the diaspora's potential (to create trade links and so on) appear to be less. This includes countries such as Fiji, Cape Verde and Trinidad and Tobago.

Turning to low-income countries, this group appear to benefit less from skilled migrants' return, from migrants' non-remittance transfers and contributions and potentially also from skilled immigration. Where levels of emigration are not too high, these countries should benefit from strong incentive effects which motivate people to increase their levels of education, and also from remittances. But where brain drain is very substantial (say above 30 per cent) it seems unlikely that these effects are enough to make skilled emigration a positive developmental phenomenon. Low-income countries with high levels of skilled emigration (and we can identify eleven: Haiti, Gambia, Sierra Leone, Ghana, Mozambique, Liberia, Kenya, Laos, Uganda, Eritrea and Somalia) may potentially be damaged by it.

However, it is of course possible that in some of these countries skilled people are unable to contribute as much as we might like them to because of other constraints to their effectiveness (like nurses lacking needles), and it also seems likely that, for the individual migrants concerned, leaving their country improves their prospects enormously. It is still hard to say, therefore, that we can concretely identify skilled migration as harming the development of the people from these countries. We think, however, that they deserve close attention as countries where brain drain may be of concern.

In addition to identifying countries that we think most likely to be experiencing damage from brain drain, we have also been able to establish that the development impacts of migration are not simply about preventing harm. Many of the ways in which migration can affect development are positive. Remittances, for example, on the whole improve development outcomes, as do return, immigration, and migrants' non-remittance transfers and contributions. This means that while some policy options may be about reducing the harm caused by brain drain and therefore may only apply to countries suffering damaging brain drain, other interventions could apply to all developing countries. Boosting remittances sent by skilled migrants, for example, would help the poor in St Lucia as much as in Liberia and it would make sense for the British government to support both.

4. Linking the evidence to policy

A framework for assessing policy options

Bringing together the analysis and evidence discussed here, we can establish a few key criteria for assessing the options for any amendments to the UK's PBS, or any other relevant policies. We suggest that for any potential policy change, questions about four aspects of migration and its impacts are asked:

1. *Migration flows* – What impacts would the policy have on developing country migration flows – emigration, immigration, and return (including temporary return)?
2. *Experiences in the UK* – What impacts would the policy have on developing country migrants' experiences in the UK (for example in terms of employment, skills development and integration)?
3. *Transfers* – What impacts would the policy have on the amount of money remitted by migrants to developing countries from the UK? What impacts would it have on the other transfers (for example transfers of skills, networks and innovation) from migrants in the UK to developing countries?
4. *Incentives* – What impacts would the policy have on incentives in developing countries?

This framework allows us to think through how a policy change might alter any of the four key aspects of the migration and development picture – flows, migrants' experiences, transfers and incentives – and on each aspect ask if the change that takes place is likely to have a positive or negative impact on development outcomes.

We suggest that the most positive effects would occur under the following circumstances:

Migration flows between developing countries and the UK

- Legal migration of highly skilled workers from developing countries, but not from countries that are suffering due to damaging brain drain (especially low-income or small middle income countries with more than 30 per cent of skilled people living abroad).
- Legal migration of unskilled workers from developing countries, particularly from the poorest countries and communities.
- Migrants from developing countries go back for visits and short stays, maintaining their links.
- Significant rates of permanent return by migrants from developing countries, and by skilled migrants in particular.

Experiences in the UK

- Skilled workers from developing countries have their qualifications and skills recognised, and can access appropriate skilled employment.
- Unskilled workers can access high-quality jobs that meet UK employment regulations.
- All workers from developing countries are supported to maintain and develop their skills (including language skills).
- Migrants are supported and enabled to maintain links with their country of origin.

Transfers

- Migrants can access reliable and low-cost remittance services to safely send funds to their families and communities.
- Migrants and migrant groups are supported to transfer skills, contacts and experience with colleagues and communities left behind.
- UK firms and employers that benefit from access to skilled workers from developing countries, especially those suffering as a result of brain drain, also make transfers, contributing to the costs of education and training in sending countries.

Incentives

- Access to migration routes provides incentives for individuals and communities to invest in education and training.

Current and potential policy objectives

If the UK Government's only policy objective were international development (and the Government could control and shape migration flows through policy) we would be able to design a set of migration policies to achieve this vision of pro-development migration to the UK from developing countries. This is not, however, the case. The Government has a range of other – very legitimate – policy objectives that are related to migration and development, some of which might complement attempts to enhance migration's development impacts and others which raise the question of trade-offs.

More specifically, the current set of public service agreements (PSAs – targets set by the Comprehensive Spending Review by the Treasury and Prime Minister, which departments are held accountable for achieving) contain three related objectives:

1. Reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals
2. Ensure controlled, fair migration that protects the public and contributes to economic growth
3. Build more cohesive, empowered and active communities.

The migration PSA Delivery Agreement (the second objective) recognises the links between migration and development. There is a strong focus on development (or lack of it) as a driver of migration, but the scope for migration to support development is also acknowledged:

DFID also works with the Home Office to ensure that UK and EU policies are coherent, take account of the impact on poverty reduction and development in partner countries, and where possible support development objectives.

The international poverty reduction PSA Delivery Agreement (the first objective) also mentions migration but only once (with respect to the EU), whereas it makes more than 30 references to trade.

Although at a strategic level there are some attempts to make migration and development policies coherent, there also appear to be some tensions between the Government's objectives on migration and development. The kind of migration patterns that would be pro-development, set out above, do not entirely fit with the Government's current interpretation of the kind of immigration flows that are needed to contribute to economic growth and cohesive communities. Three main tensions are worth noting.

- The Government's current position is that the UK economy has no need for low-skilled migration from outside the EU, although low-skilled migration from developing countries would be good for development.
- The PBS specifically targets highly skilled workers as most valuable to the UK economy and provides routes for permanent settlement. In some places this could contribute to problematic brain drain, as set out in the Introduction.
- Steps to ensure that migrants retain links with their countries of origin (such as circular migration and temporary return) may not sit easily with the current government approach to integration, which is based around ideas of settlement and citizenship.

Given the other legitimate objectives that policies are aiming towards, it would be entirely unreasonable to expect the Government to set migration policy on the basis of international development objectives alone, particularly given that there may be real trade-offs between achieving development objectives and other outcomes. Taking this as read, then, there are three possible positions that the Government could take to resolve multiple and potentially competing objectives:

1. *Do no harm* – Migration policy would be set in order to maximise benefits to the UK, with the caveat that no part of migration policy should be harmful to development objectives. This might

involve decisions about migration policy being subject to some kind of international development impact test.

2. *Development as an added benefit of migration policy* – Migration policy would still be set primarily with a view to maximising benefits to the UK. Once this test had been met, international development would be a second order objective. For example, if the UK needed skilled workers, the choice of where those workers should come from would be determined by international development considerations.
3. *International development as part of the UK's migration policy framework* – Migration policy would be set taking account of both UK and international development objectives. Where there are trade-offs between these objectives, the Government would consider relative impacts. For example, where a policy might sacrifice some small degree of economic benefit in the UK but represents a significant gain to development, it might make sense to pursue that policy.

Our clear recommendation is that, given the extent to which migration can improve lives in developing countries, and given the UK's strong commitment to international poverty reduction, the Government should go beyond a 'do no harm' position. Migration can have positive benefits for development, and this should be clearly reflected in UK policy.

International experience

Having examined what UK policy objectives could be considered realistic in this area, we turn briefly to examine how other nations have attempted to translate an interest in migration's development impacts into an actual set of policies. This should give a sense of what 'menu' of options currently exists for policymakers to draw from.

Canada and New Zealand

Canada and New Zealand have both taken similar approaches to enhancing migration's development impacts (indeed New Zealand's policies are based on learning from Canada). Both countries have put in place schemes that open up low-skilled agricultural work to short-term migrants from developing countries. The aim in both cases is to benefit the receiving country, which has chronic shortages of labour in agriculture, but in a way that attempts to boost development in specific partner countries. (This puts these policies in the second category of objectives described above, 'development as an added benefit to migration policy'.)

The developmental benefits that were desired as a result include a reduction in unemployment among the low-skilled as well as increased incomes for migrants as well as for their families and communities via remittances (World Bank 2006). In both cases there is significant evidence that the schemes, though not perfect, have achieved their objectives. Farmers have been able to obtain reliable good quality labour, and migrants have enhanced their own and their families' and communities' livelihoods. Both cases offer excellent models, which the UK could learn from, about opening up tier three of the PBS.

Spain

Spain has also attempted to alter its migration policies to take on board development impacts. This work is based around the concept of 'co-development' which aims for migration to benefit both Spain and the countries from which it takes its migrants, with enhancing the impact of remittances a particularly important aspect. Co-development has been given significant prominence within government. It has been prominently driven by the Secretary of State for International Cooperation and extensive partnerships have been built inside and outside government to ensure that progress is made. This includes, for example, a working group on co-development involving governmental and non-governmental actors at municipal, regional and national levels who have worked together to draft a policy statement.

Spain has also committed increased resources to understanding the relationship between migration and development by funding research (Hudson *et al* 2008). These initiatives are certainly welcome. However, it is not clear that they have (yet) resulted in any major alterations to migration policy. They

are more a precursor to making more development-friendly policies, rather than the act of actually doing so.

Sweden

The last and most relevant international example is Sweden. Sweden has made some major commitments towards making migration more development-friendly. In 2004 Sweden's Parliamentary Committee for Labour Migration was given responsibility to review migration policies within a development framework. In 2006, the Committee released a policy statement entitled 'Labour Migration to Sweden – proposals and consequences', stressing that the government should be more mindful of developing countries' interests when formulating labour migration policies (Hudson *et al* 2008). The report made specific recommendations about creating more flexible migration policies in order to better facilitate the temporary and permanent return of migrants who are seen to be important contributors to the development of their countries of origin.

Beyond its own policy initiatives Sweden has also been very active in international forums, including pushing forward the major multilateral process in this area, the Global Forum for Migration and Development, and also contributing to the global stock of knowledge on migration and development, including examining the effectiveness of different policy measures aimed at supporting and maintaining skilled health workers in developing countries. All this work is underpinned by the legal requirement that Swedish departments report annually to Parliament about the impacts that various policies have on development, including policies around migration (Hudson *et al* 2008). Thus there is much in what Sweden has done that the UK might be able to draw on.

It should be clear, however, that while countries such as Sweden have done important work in this area, the 'menu' of policy options for enhancing migration's development impacts remains fairly limited. This suggests that there is a need for countries like the UK to innovate, exploring all the ways in which the four aspects of the migration and development picture – flows, experiences, transfers and incentives – might be harnessed to enhance migration's poverty reduction potential.

5. UK policy levers

Having thought through the various ways in which migration's development impacts can be enhanced, what 'good' migration patterns might look like, the need to be realistic and balance development objectives with other policy goals, and what we can learn from international experience, the groundwork is in place to consider some of the options for concrete policy change open to the UK government in order to enhance migration's development impacts.

Points-based system

Firstly there is the points-based system. We suggest that the PBS itself has the potential to impact across all four of the criteria set out above – flows, experiences, transfers and incentives.

First, and most obviously, changes to the PBS can change migration flows to and from the UK from developing countries. By changing the points system, the Government can potentially increase or decrease the total number of immigrants to the UK, change the balance between different source countries, and change the make-up of PBS immigrants in terms of skill level and occupation. Changes to the PBS can also affect return migration and circular migration from the UK to developing countries by allowing, encouraging or requiring migrants to return.

Second, changes to the PBS can change the experiences that migrants have in the UK. For example, the PBS could be used to better match migrants to high-quality work and training in the UK, or to incentivise individuals or employers to invest in training while in the UK.

Third, by influencing the kind of work which migrants do in the UK, the PBS can influence remittances and other transfers made by migrants to developing countries. Changes to the PBS could also influence the kind of links which migrants are able to maintain with their place of origin (for example by restricting or facilitating their ability to return temporarily), which can also influence remittances and other transfers.

Finally, changes to the PBS can change incentives for potential migrants in developing countries, because by providing legal routes to UK labour markets, the PBS could provide incentives for people in developing countries to invest in education and training. The incentives of employers and sponsors in the UK could also be changed using the PBS. Amendments could be made to the system to encourage firms and institutions that bring migrants to the UK to take actions elsewhere in their businesses that are good for development.

Tiers one and two

Looking at concrete options the Government could undertake, one approach would be to change the rules around entry to the UK through tiers one and two (for highly skilled and skilled workers), to reduce the possible contribution of the UK PBS to damaging brain drain. Two particular options come to mind:

1. Make applications from countries suffering from damaging brain drain harder. For example, a certain period of time working in the country of origin could be made a prerequisite for successful applications, or points could be deducted from people unable to demonstrate this prior work.
2. Provide incentives for highly skilled people to work in countries suffering from damaging brain drain before migrating to the UK, by granting extra points for periods of work in these countries.

In our view, the first of these options is not desirable. It would require discrimination against nationals of certain countries, and would likely also have limited impacts on the emigration of skilled people from countries suffering from damaging brain drain given the likely diversion of migration to other developed countries.

The second option is more workable. It need not be discriminatory – it could apply equally to workers of any nationality who have worked in the specified countries (so third country nationals could gain points from working in countries suffering from damaging brain drain). It could have positive development impacts in two main ways:

- By giving incentives for highly skilled people to spend a period of time working in countries affected by damaging brain drain before migrating to the UK under tier one or tier two.
- By changing the profile of migrants coming to the UK. Those gaining points for prior work would likely be older than current tier one and two migrants, and might be expected to have stronger ties to their countries of origin. This might increase rates of return and circular migration, and the likelihood of remitting (Nikolovski *et al* 2009).

However, it is important to note that this would need to be based either on giving applicants additional points for work experience in countries suffering damaging brain drain (thus increasing total numbers of applicants) or reducing points elsewhere (for qualifications or income, for example) while granting *additional* points for prior work experience in developing countries (so maintaining total flows, but likely increasing the proportion of applicants from brain drain affected countries).

Either of these approaches makes it likely that the total numbers of skilled migrants from the countries in question would increase. The ‘brain gain’ impacts of incentives, return and circular migration would need to outweigh the additional brain drain that this would represent. Given, however, that the countries in question would, by definition, be those thought to suffer from damaging brain drain already, it appears the policy could exacerbate rather than solve the problems it is put in place to address, making it a highly unattractive option.

Investor route

The investor route under tier one provides for entry to the UK for people with more than £1m to invest in the UK. This scheme could currently have negative development impacts if it contributes to capital flight from developing countries.

Developing countries can suffer from capital flight in two ways. Some countries (particularly the poorest) suffer from ongoing capital flight as financial resources are transferred out of the country in response to long-term economic or political uncertainty, or simply a lack of investment opportunities. Other countries suffer sudden and rapid capital flight in response to a crisis (as happened in Argentina in 2001). Some forms of capital flight are legal and legitimate (for example, FDI), and may bring benefits to the sending country if profits are repatriated (although they may still deprive the sending country of investment). However, much capital flight from developing countries is illegal or illicit in some way, and this capital flight can contribute to tax evasion and corruption as well as depriving the sending country of investment.

The Government could take steps to ensure that the investor scheme under tier one does not contribute to these problems. For example, it could introduce appropriate checks and balances to ensure that the funds invested under this scheme are not illicit capital flows, particularly from countries with weak tax authorities or systems of financial regulation. Another option would be to create a facility that suspends access to the UK under this scheme for applicants from particular countries at times of crisis. Similar checks and balances could be applied to applicants under the entrepreneur scheme (see below).

It is worth noting that a number of other OECD countries (including the US) have similar schemes, so changes in the UK scheme would not necessarily stop this form of capital flight unless other countries introduced similar checks and balances. And though the numbers who would be affected are likely to be small, their individual impact could still be significant as high net worth individuals. This suggests that it may be worth doing, even if it is not the most comprehensive response to the dilemma of maximising skilled migration’s development impacts.

Entrepreneur scheme and sole representatives

The entrepreneur route under tier one provides for entry to the UK for people with at least £200,000 to invest in business in the UK. Initial applications are judged solely on the availability of funds, but extensions require evidence of business activity and employment created. Outside the PBS, there is also provision for migrants to come to the UK as sole representatives of international companies. Either or both of these entry routes could be used to encourage the migration of entrepreneurs and representatives of businesses which aim to increase trade between the UK and developing countries.

The requirement to have £200,000 to invest in business could be reduced for entrepreneurs seeking to establish businesses that will have clear and demonstrable development benefits for poor countries (for example, establishing a UK sales and marketing presence for producers in poor countries). In addition, the creation of employment in a developing country could be accepted as evidence of success for visa extensions. Again, it seems likely that such amendments could create real development benefits, though realistically, like the investor scheme above, this must only be seen as a small part of the set of policy tools that can help boost migration's contributions to development and minimise the problems it can cause.

Tier three

If the Government wants to change the PBS in order to maximise the contribution of migration towards meeting the UK's international development objectives, serious consideration should be given to opening up tier three to workers from poor countries.

Legal low-skilled migration from developing countries to rich countries like the UK is potentially a more 'pro-development' migration flow than current high-skilled flows under the PBS. Low-skilled migration does not raise issues of brain drain, and most developing countries face labour surpluses that can be reduced by low-skilled migration. Low-skilled migrants are more likely themselves to be poor, so that migration is more likely to directly lift them out of poverty. Low-skilled migrants are also more likely to come from poor regions, communities and families, which means that the development impacts of remittances and other transfers may be greater. Finally, legal routes for low-skilled migration could help to reduce both the demand and supply of illegal workers in the UK – legal migration reliably bringing more benefits for development than illegal migration (Sabates-Wheeler *et al* 2007).

If tier three is opened up to workers from outside the UK, there are two key considerations to ensure that the development benefits are maximised. Firstly, access to the scheme for people from the poorest countries should be prioritised. The poorest are often excluded from the benefits of migration, and the poorest are often those who resort to risky illegal migration routes. The Government should consider establishing bilateral migration agreements with specific poor countries that could benefit from increased migration by low-skilled workers, learning from the examples of Canada and New Zealand.

Secondly, steps would need to be taken to ensure that highly skilled people from poor countries are not drawn to the UK to undertake low-skilled work. This is the most damaging form of brain drain – not only are developing countries deprived of highly skilled workers, but those workers are not able to use their skills while in the UK, and may find that their skills are degraded over time, reducing the value these workers can add if they return to their country of origin. There are obvious challenges in identifying and excluding highly skilled workers from specific immigration schemes. The most feasible way to ensure that low-skilled migration is taken up by low-skilled workers is to target particular groups of workers in source countries according to the sectors of work available in the UK (for example, via organisations working with agricultural workers). Again, there is much the UK could learn here from the experiences of other countries.

Tier five

Tier five of the PBS includes temporary workers coming to the UK for primarily non-economic objectives, or under the terms of the General Agreement on Trade in Services (GATS). Among these schemes is the Government Authorised Exchange (GAE), designed to facilitate the exchange of knowledge and best practice. This is currently limited to schemes operated by 'overarching bodies' with the support of a government department (such as the British Council, universities and colleges).

Within the GAE scheme, further initiatives could be developed in a range of sectors to allow migrants from developing countries to develop their skills in the UK before returning home. In particular, firms and employers who are accredited as PBS sponsors could be allowed to bring migrants to the UK on a temporary basis (as 'interns'). The scheme would be explicitly designed as a temporary skill-development mechanism, which means it would need to be strictly time-limited, without scope for

switching into other PBS categories. Sponsors would also need to demonstrate a clear commitment to high-quality training (which could be 'on the job' but should be formalised).

One option would be to manage sponsorship requirements for this scheme on a similar basis to intra-company transfers under tier two, but with additional requirements on sponsors to demonstrate that a) the intern will be given access to high-quality training while in the UK and b) the intern will be employed by the company in their country of origin for a period of at least a year on return.

If a scheme could be implemented providing high-quality internships in the UK for workers from developing countries it could increase the access of workers from developing countries to UK labour markets (and to other rich country labour markets, through improved skills and networks). It would also encourage circular and return migration.

The Government could also consider expanding eligibility for the tier five youth-mobility scheme (which is currently limited to nationals of Australia, Japan, New Zealand and the USA) to enable young people from developing countries to improve their skills and build links with the UK.

Changing rules around return

Currently, UK immigration rules discourage migrants from returning to their country of origin (or travelling to third countries). A PBS migrant who returns for more than a specified period (usually 90 days) must re-apply for his or her PBS visa in order to return to the UK.

This has the effect of making migration under the PBS 'all or nothing'. This is problematic because, as discussed previously, the patterns of migration that may be most beneficial for development are flexible and circular, rather than once and forever. In order for the development benefits of migration to be maximised, migrants from developing countries need to be encouraged and enabled to maintain their links with their country of origin (including through visits), and to return (permanently or temporarily) to work so that the skills, networks and experiences gained in the UK can be shared with others, and networks can be built to support future links between the UK and developing countries. This is particularly true of highly skilled migrants, and particularly important with respect to migration from countries that appear to be suffering as a result of brain drain.

In order to introduce flexibility into PBS migration, and to encourage migrants to maintain links with their place of origin, the rules could be amended so that migrants in the UK under tiers one and two are able to spend an extended period in a developing country without penalty. It is important that this time delivers at least some development benefit for the country in question. Although maintaining links with families and communities is important in itself, we suggest that migrants should demonstrate that they have undertaken (paid or voluntary) work during their time outside the UK.

We suggest that time spent working in any developing country should qualify under this change, but that this should not be limited to nationals of developing countries, or to people working in their home countries. Although the vast majority of cases would likely be migrants from developing countries returning to their country of origin to work for a period, some migrants (from developing or developed countries) will work in developing countries where they have other connections, or indeed none at all (they might volunteer through a VSO scheme or similar).

Similarly, students transferring from tier four into tier one under the post-study workers route could be given greater flexibility to return to their place of origin (or to work in another developing country) to work for a period of up to two or three years without losing their right to apply to tier one under the post-study arrangements. Many highly skilled migrants come to the UK initially as students, and this arrangement would help them to maintain their links with their country of origin, encourage circular and return migration, and increase their likely transfers (of money, skills and experiences) to their countries of origin (or elsewhere).

Another option would be to limit the ability of students to switch into other PBS categories when they complete their studies but we think that this would be a less effective means of encouraging circular and return migration by students. It would likely lead to diversion of student migration flows or post-study migration flows to other OECD countries, and would reduce the benefits of study in the UK by denying students access to the UK labour market.

Incentives for employers and sponsors

The options above have focused largely on changing the behaviour of migrants, or potential migrants. The PBS could also be used to change the behaviour of the UK employers and firms who use it to fill vacancies and skills gaps.

UK employers who recruit skilled workers through the PBS benefit from investments in training that have usually been made in the workers' countries of origin. When workers come to the UK from developing countries, this essentially represents a benefit to UK employers paid for by individuals (and families), firms or taxpayers in the developing country. Indeed, skilled emigration can be thought of as a form of capital flight – the individuals who leave are 'embodied' capital investment in education and training.

An alternative to preventing the individuals themselves from moving is to provide a corresponding transfer of resources back to the country of origin. This transfer could in principle come from the individual (who benefits from the move, but who may not have borne all his or her own training costs), the employer (who benefits from access to the worker's skills) or the host government (acting as a proxy for the host society, which gains economically).

It would be hard to generate transfers from individual migrants from developing countries through the PBS and fee structures that differentiated by nationality of applicant would be discriminatory. In any case remittances and other financial transfers from individuals often fulfil this function. Transfers from government seem unlikely in the current fiscal environment. But the way UK firms engage with the PBS provides an opportunity to encourage transfers from employers.

It would be possible to require employers seeking to recruit someone from a developing country (or a country suffering as a result of brain drain) through the PBS to pay into a fund, or make a direct contribution, towards education and training in the migrant's country of origin. However, this would likely lead employers to recruit fewer workers from developing countries which could have negative impacts on development outcomes that could outweigh the benefits of the funds sent.

Another solution is to make a wider connection between use of the PBS in general and contributions towards education and training in developing countries, rather than associating contributions with the recruitment of particular groups of migrants. Sponsors currently receive either a B or an A rating under the PBS. If the UK Border Agency were to segment sponsors further, it could make a demonstrated commitment to develop one of the criteria (regardless of from which countries the sponsor was recruiting from) for 'rating' sponsors more highly.

Employers might demonstrate this in several ways. For example, they could establish new training programmes in their own developing country operations (this might be appropriate for companies making significant use of the intra-company transfer route) or they could contribute to a DFID-administered programme of support for education and training in countries negatively affected by brain drain. The development impacts of such a scheme are likely to be small, but an initiative such as this could help bring about a new recognition among UK firms and businesses that they benefit from investments in training that are made in developing countries. This recognition could help drive wider changes in corporate actions in the longer term.

Immigration policy beyond the PBS

Turning next to other elements of the UK's immigration system, beyond the PBS, three areas stand out.

The asylum system

Access to asylum in countries such as the UK can help maintain political and professional capital in times of crisis by allowing skilled workers to continue using and developing their skills, and diaspora groups formed through asylum can sometimes play a positive role in improving political, social and economic conditions in the places they have come from. It is also important that the UK meets its obligations to support refugees and asylum seekers who might otherwise require support from developing countries with fewer resources.

Rules governing family formation and reunion

The rules governing family formation and reunion through migration can also have significant impacts both on incentives to migrate, and on the ways in which migrants maintain links with their places of origin. On the one hand, rules that make family formation and reunion possible through migration may discourage return and circular migration, as well as decreasing the attachment that a migrant has to their country, reducing remittances and other transfers. On the other hand, family formation is likely to boost outcomes for the migrants themselves, which constitutes an important part of their own development.

Policies on settlement and citizenship

UK policies on settlement and citizenship can have real development impacts. As with family formation, policies that give people from developing countries rights to settlement and citizenship in developed countries could have negative impacts by discouraging circular and return migration. However, in the longer term, settled and dual citizenship diaspora groups are an important part of the international links through which migration can bring benefits. For example, some of the trade benefits discussed in section 3 seem linked to the longer-term establishment of communities.

In addition, access to longer-term settlement and citizenship may help migrants' economic position, and their ability to transfer resources to families and communities to those left behind. Rules around the process for obtaining citizenship can also influence migrants' connections with their countries of origin. Many migrants live transnationally, with relationships and their identities bound up in two places, which can significantly benefit development, but which rules on citizenship could limit by forcing migrants to remain predominantly in the UK.

There are several ways in which we believe the Government might alter citizenship policy to enhance migration's contributions to development. Firstly, it is currently considering proposals to introduce a points-based system for citizenship. One proposal is that applicants for citizenship should be able to gain credit for 'active citizenship' (including volunteering or civic activism) in order to speed up their journey to citizenship. Recognising that migrants and diaspora communities can play an important role in development in their places of origin, and that migrants often live transnational lives based on multiple identities, the Government could consider defining 'active citizenship' to give credit and recognition to migrants who undertake voluntary work or civic activism in developing countries, as for example members of the Iraqi and Sierra Leonean diaspora have done. There should be no contradiction between spending time abroad (whether in a country of origin or another developing country) and being an 'active citizen' of the UK. Indeed, frequently emphasised aspects of 'Britishness' incorporate our international perspective and engagement (Andrews *et al* 2009).

Secondly, the idea of allowing greater flexibility for migrants to move back and forth between their country of origin and the UK could be applied not just to PBS migrants, but also to applications for permanent settlement or citizenship. The idea here would be that all time spent in the UK, even when interrupted by significant periods abroad, would count towards a citizenship application.

Beyond immigration policy

Because migration's development impacts are shaped by such a variety of contextual factors, including a migrant's ties with their country of origin, the amount of time they stay away and the environment they leave and the one they enter in the UK, the range of policy levers the UK has at its disposal to influence these impacts go far beyond immigration policy. Government policies and actions in the UK (including employment regulations, skills and training, and public services) and towards developing countries (including aid, conflict resolution and humanitarian assistance) can affect migration flows and the impacts that they have.

Looking first at policies that affect the experiences of migrants here, it is important that migrants (particularly skilled migrants) are able to maintain and develop their skills. This requires that educational and professional qualifications from developing countries be recognised in the UK by government (including for the purposes of immigration) and by employers. It also requires that migrants be able to access any training required to help them use and develop their existing skills in

the UK (for example to upgrade qualifications to UK standards or to gain UK-specific skills and knowledge).

It is also important that migrants are able to access high-quality and appropriate employment in the UK. Highly skilled migrants need to be supported to find jobs appropriate to their qualifications and experience. This is particularly important for migrants who arrive in the UK outside work-related immigration routes (such as refugees and those arriving for family reunion). All migrants, and unskilled workers in particular, need to be able to find work that meets UK labour market regulations, without facing discrimination – this requires effective enforcement of these regulations.

6. Conclusions

We finish with a summary of the considerations we believe should guide UK policy in this area, as well as some suggested ways forward.

All the evidence shows that migration is a powerful force, one of the key dimensions through which the world is globalising. The fact that it is driven by such a powerful logic (and affected by so many diverse factors) means that while governments can shape migration through policy, they will inevitably fail if they try to create their 'ideal' flows or outcomes. The Government's challenge then – if it accepts that migration policy should take into account effects on the world's poor – is not to stop any particular kind of migration, but to shape migration in order to enhance its positive aspects and minimise negative ones. In particular, the idea of finding some way to stop brain drain needs to be taken off the agenda.

It is not just the fact that stopping brain drain is impractical that means it is not a helpful policy idea. Rather, our analysis has shown that trying to reduce skilled migration flows to the UK from developing countries may actually be bad for development in many circumstances. Many developing countries could benefit, it appears, from more rather than less skilled emigration because of the remittances that migrants send, the transnational communities that migration creates, and the positive incentives that migration can create, which in many places outweigh any negative impacts that skilled emigration has.

It is imperative, then, that policymakers' understanding of migration and development moves beyond seeing it as 'the brain drain problem', and instead recognises that migration often has positive developmental impacts, and that the exact patterns of movement, and the conditions under which it takes place, are vital in determining whether these positive effects dominate, and how large they are. This means that instead of trying to stop brain drain, policymakers must focus on how to shape the nature of migration to make it more beneficial. The evidence suggests that skilled migration contributes more, for example, when it is more circular, involving higher levels of return (both temporary and permanent) and migrants who have strong links with their countries of origin.

Shaping migration in these ways will be most effective, however, when we work with migrants rather than against them. This is firstly because improving migrants' lives is an important part of development. Migrants are not just agents of development; the improvements we see in their own lives are an important developmental outcome in themselves. But we also know that migrants often do, when enabled, actively contribute to development in their countries of origin, but in different and diverse ways. Government cannot know better than the migrants themselves exactly when they could make the greatest contribution to their community or the way in which they would do it, so proscribing particular patterns of movement is likely to be much less effective than making it easier for migrants to pick their own times and ways of interacting.

As such, we suggest that changes to the PBS and citizenship framework to enhance flexibility and allow migrants more freedom to move back and forth between the UK and their places of origin would be an important step towards making migration to the UK more development-friendly. This would be a simple way to facilitate return migration, circular migration, and strong migrant links with the countries they have come from.

We also think that in some cases there is a development argument for increasing migration flows. For some developing countries this would involve more skilled emigration (certainly to above five per cent), and many countries seem likely to benefit from the opening up of more channels for low-skilled migration. In our view there is certainly reason to look again at whether we are taking the right approach to tier three. We would suggest that the Government closely monitor whether there is any need for more low-skilled migrant labour in the UK (beyond that which we can get from inside the EU) and if so, open up tier 3 in such a way that generates significant development benefits. There is plenty that can be learnt here from the experiences of other countries such as Australia and New Zealand, where the evidence suggests that significant improvements in the lives of poor people and poor communities have resulted.

Migration will continue to take place for as long as people can significantly improve their lives by moving. The UK government cannot stop this, but it can make changes to its own rules to ensure that, as well as benefiting the UK, it also happens in a way which improves the lives of the world's poor. These steps should be taken now, while the points-based system is still being established, to ensure that points do indeed mean development prizes.

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