

Brain Waste? Educated Immigrants in the U.S. Labor Market

● Aaditya Mattoo, Ileana Cristina Neagu, and Çağlar Özden

Education policies at home and immigration policies abroad both offer ways to reduce “brain waste”

Everyone in New York has a story about how they discovered that their taxi driver was an Eastern European scientist. And many taxi drivers tell stories about how their Indian passengers are nearly always computer scientists. A paper by Mattoo, Neagu, and Özden investigates the empirical basis for these popular perceptions. It addresses three related questions: How widespread is unskilled employment among educated immigrants in the United States? Does the incidence differ with the immigrants' country of origin? Can any differences be explained by observable attributes of the country of origin?

Using U.S. census data, the authors demonstrate striking differences in the occupational attainment of immigrants with similar educational backgrounds but different countries of origin. Even after controlling for age, experience, and education level, they find that highly educated immigrants from certain countries are less likely to obtain skilled jobs. For example, a hypothetical 34-year-old Indian college graduate who arrived in 1994 has a 69 percent probability of obtaining a skilled job, while for a Mexican immigrant of identical age, experience, and education the probability is only 24 percent.

Much of this country-level variation can be explained by certain country attributes. Some of these affect the *quality* of human capital accumulated at home, such as spending on tertiary education and the use of English as a medium of education. Others lead to a *selection* effect—variation in the abilities of migrants because they come from different sections of the skill distribution of their home countries—and include GDP per capita, distance to the United States, and the open-

ness of U.S. immigration policies to residents of the country. For example, a large share of immigrants from some countries (such as Mexico) are admitted through family preferences, visa lotteries, and political asylum, while more immigrants from other countries (such as India) have to rely on employment preferences. Military conflict in the home country can have both a quality effect, because it weakens institutions that create human capital, and a selection effect, because it lowers the threshold quality of immigrants.

The results have implications for policy. In many developing countries today, public and private resources are being devoted to providing university and professional education to those who may end up in jobs (domestically and abroad) that make little use of their education. Gaining a better sense of their destiny should help individuals and their countries improve their allocation of resources for education.

Developing countries face a dilemma in setting education standards. A standard for tertiary education that is locally appropriate (but low relative to developed country standards) reduces the likelihood of skilled migration—yet increases the likelihood that those who migrate will be trapped in unskilled jobs. But a standard that is inappropriately high for domestic needs might increase the probability of skilled emigration—though improve the labor market placement of educated migrants.

One solution might be to move away from a uniform national standard—that is, to set one standard at a level suited for foreign markets and another at a level more appropriate and cost-effective for domestic needs. If brain drain is a concern, a country could direct most public funding toward institutions that apply the second standard, while private sources fund the education of potential migrants. At the same time, “export quality” institutions could be liberated from the need to be locally

appropriate. They could even target specific export markets. One successful example: the nursing schools in the Philippines that use an American curriculum to train their students for the U.S. market.

In some regulated professions nonrecognition of foreign qualifications and licenses may be a barrier to entry. Denial of recognition may be legitimate when home country qualifications are inadequate. But in some cases the burdensome requalification requirements imposed on foreigners reflect the protectionist capture of regulatory processes by domestic vested interests. The authors' results suggest that individuals educated in some countries are better equipped to overcome these barriers, mainly because of greater compatibility of education and professional standards. In any case, more needs to be done, and one possible venue is the services and Mode 4 negotiations at the World Trade Organization.

There are also implications for the design of immigration policies in destination countries. For example, a simple “points based” system might not be the ideal mechanism for choosing skilled migrants, since it would assign similar points to nominally identical degrees received in countries with considerable differences in the quality of human capital. The system might operate more effectively if it gave more points to degrees earned in countries with higher-quality education. Information on migrants' employment history in their home country or evidence of an offer of skilled employment in the destination country (as in the U.S. H-1B program) would also be effective in identifying relevant skill levels.

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