

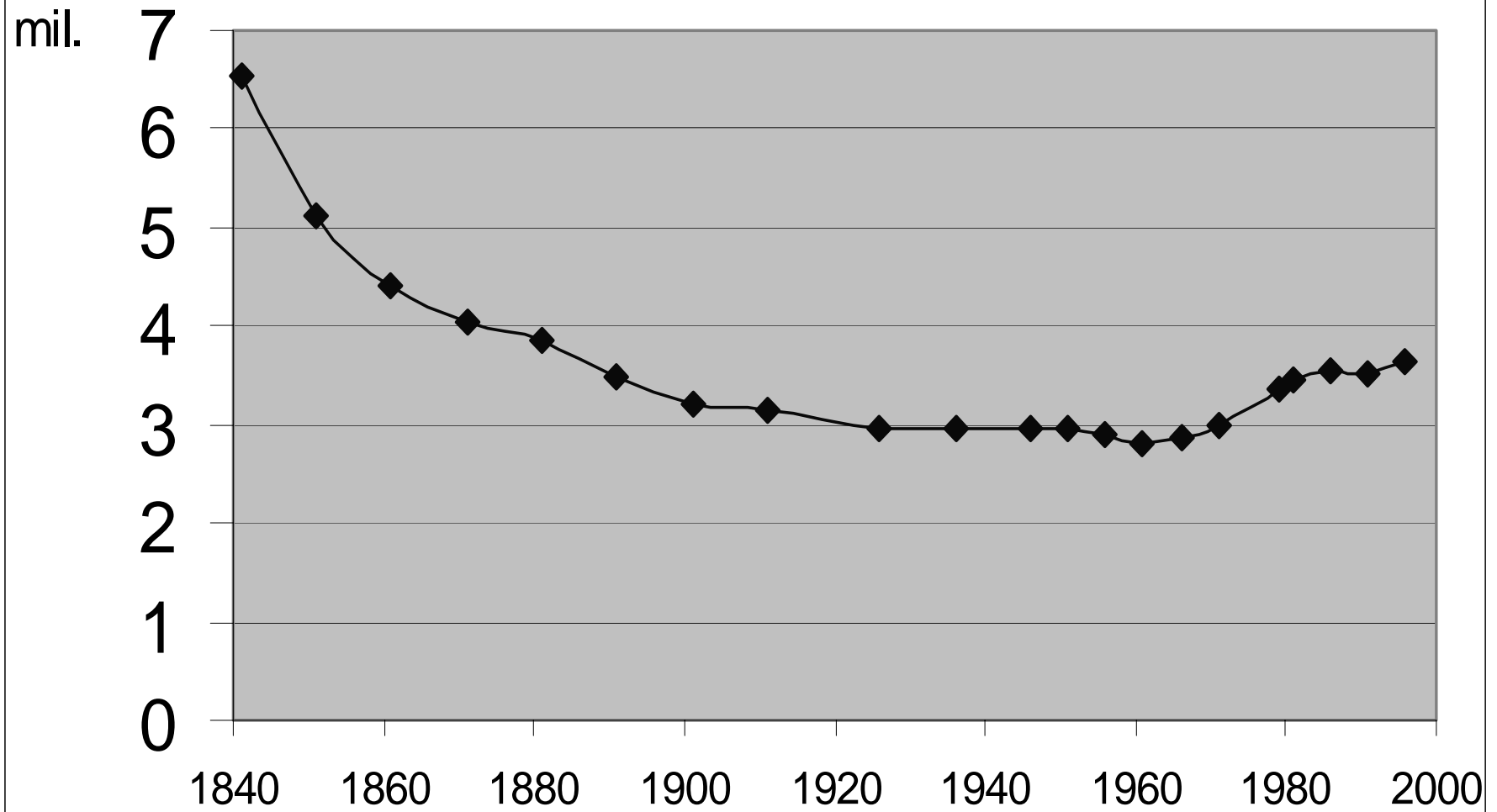


Human Capital and Migration: Insights from Recent Irish Experience

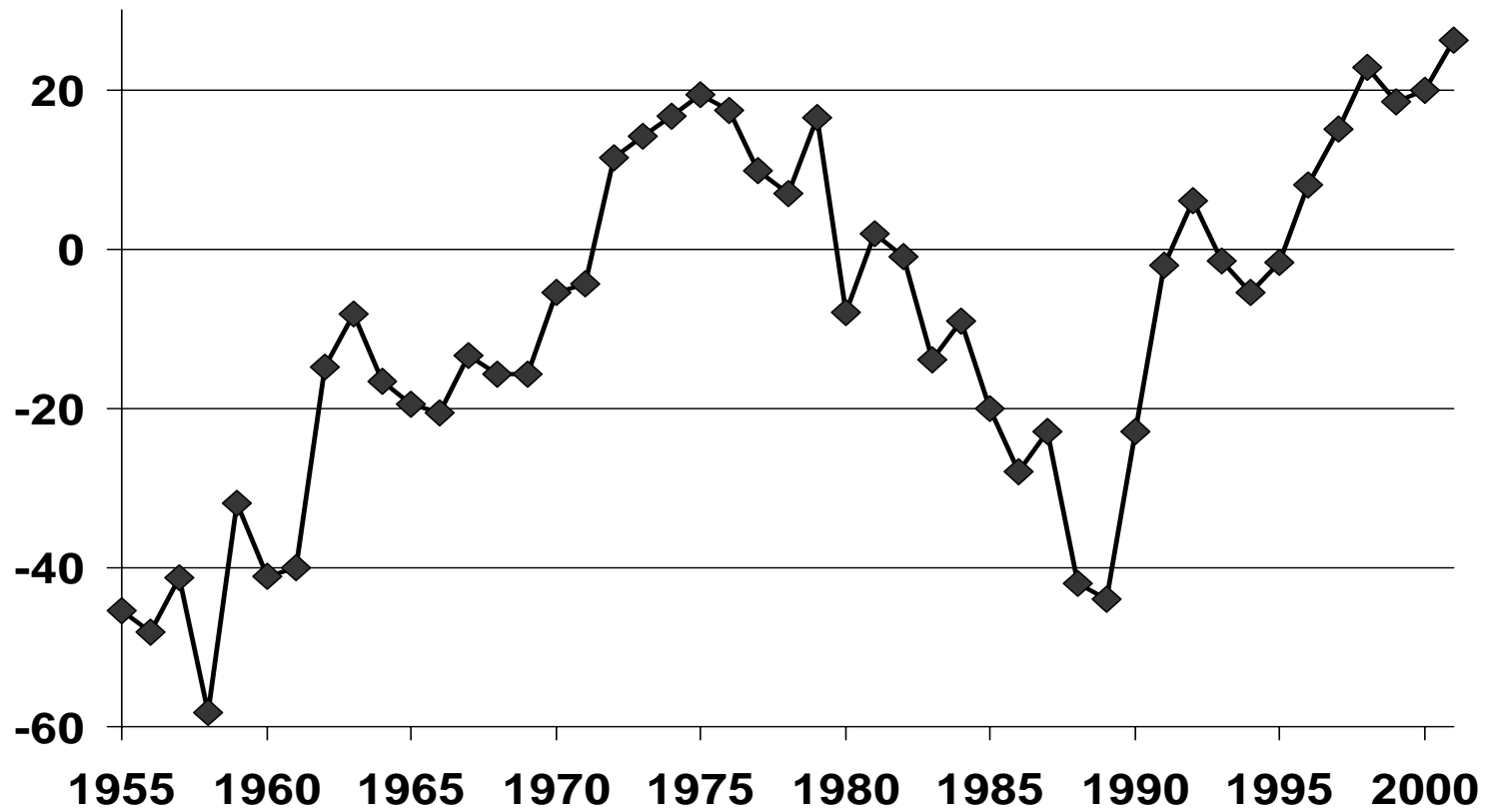
By Brendan Whelan

NERO Meeting 1 July 2002 OECD
Paris

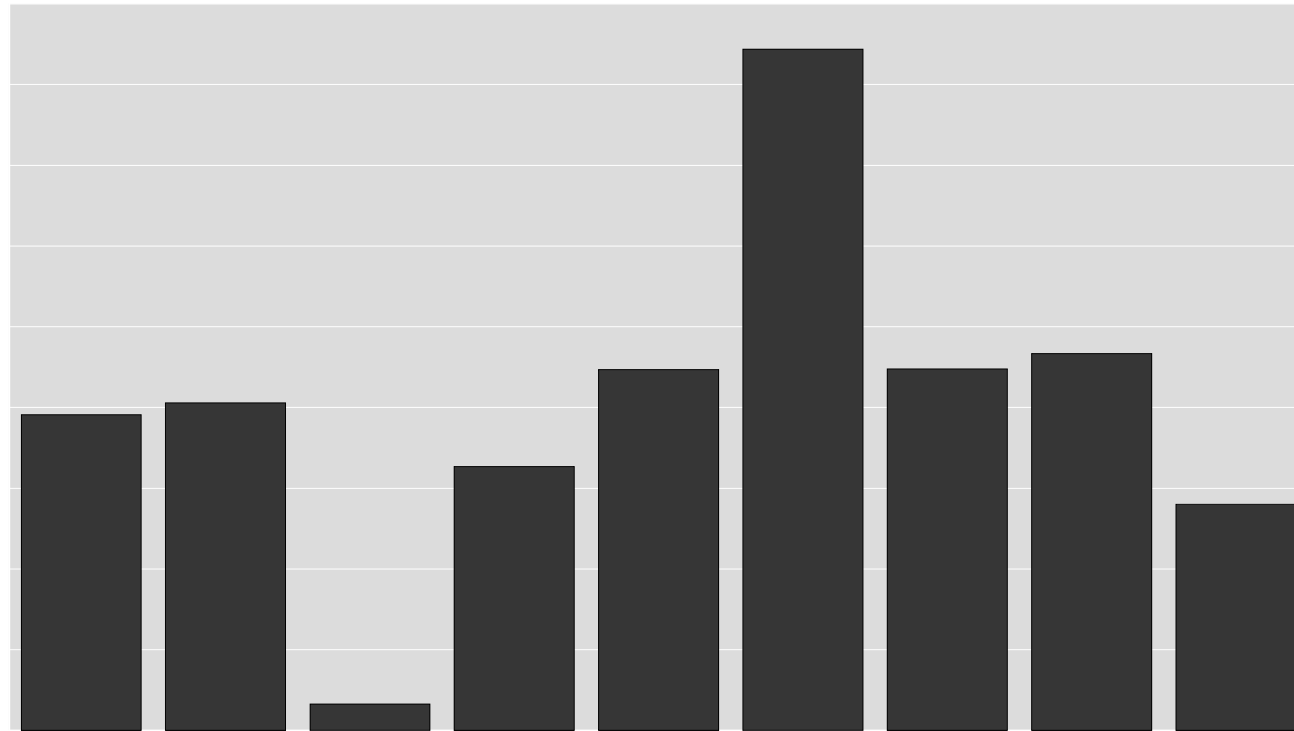
Population of Ireland (26 Counties) 1841-1996



Migration 1955 - 2001

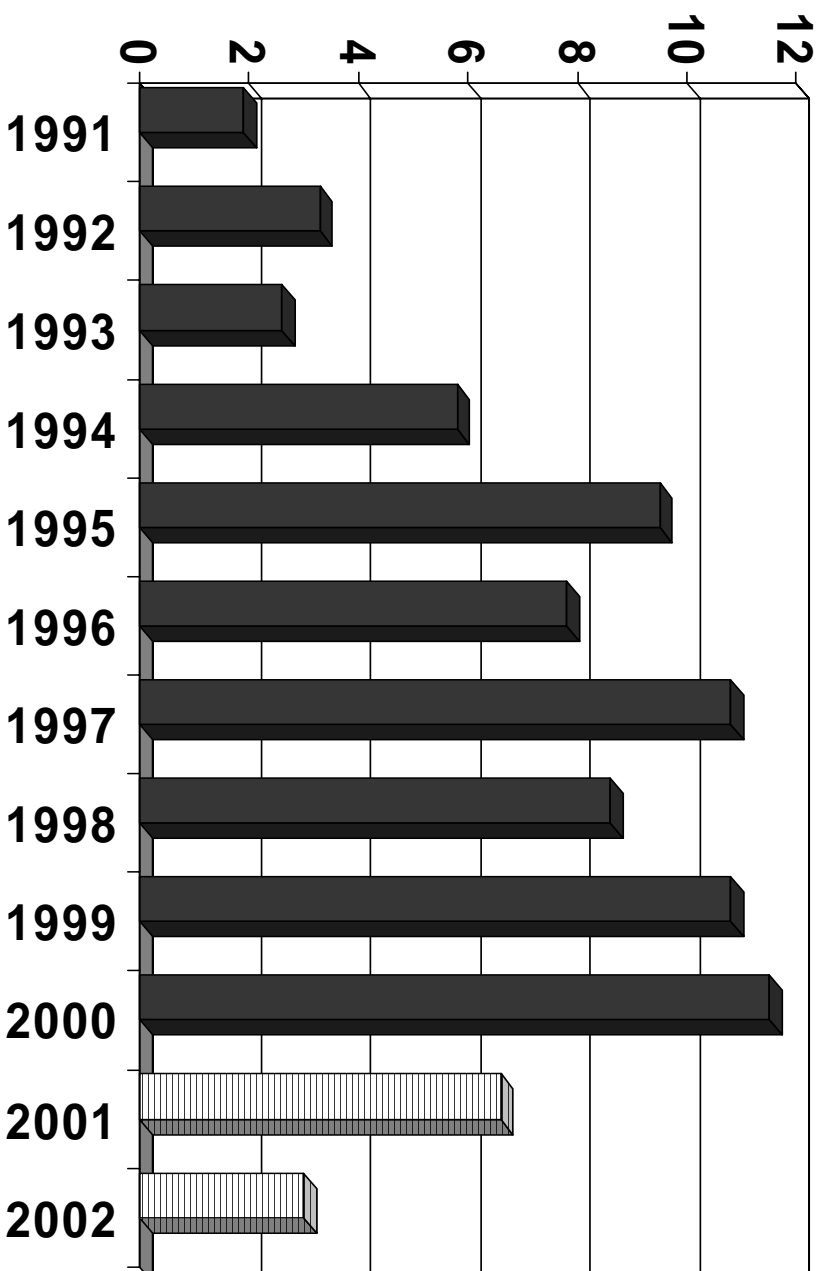


Average Growth of GNP



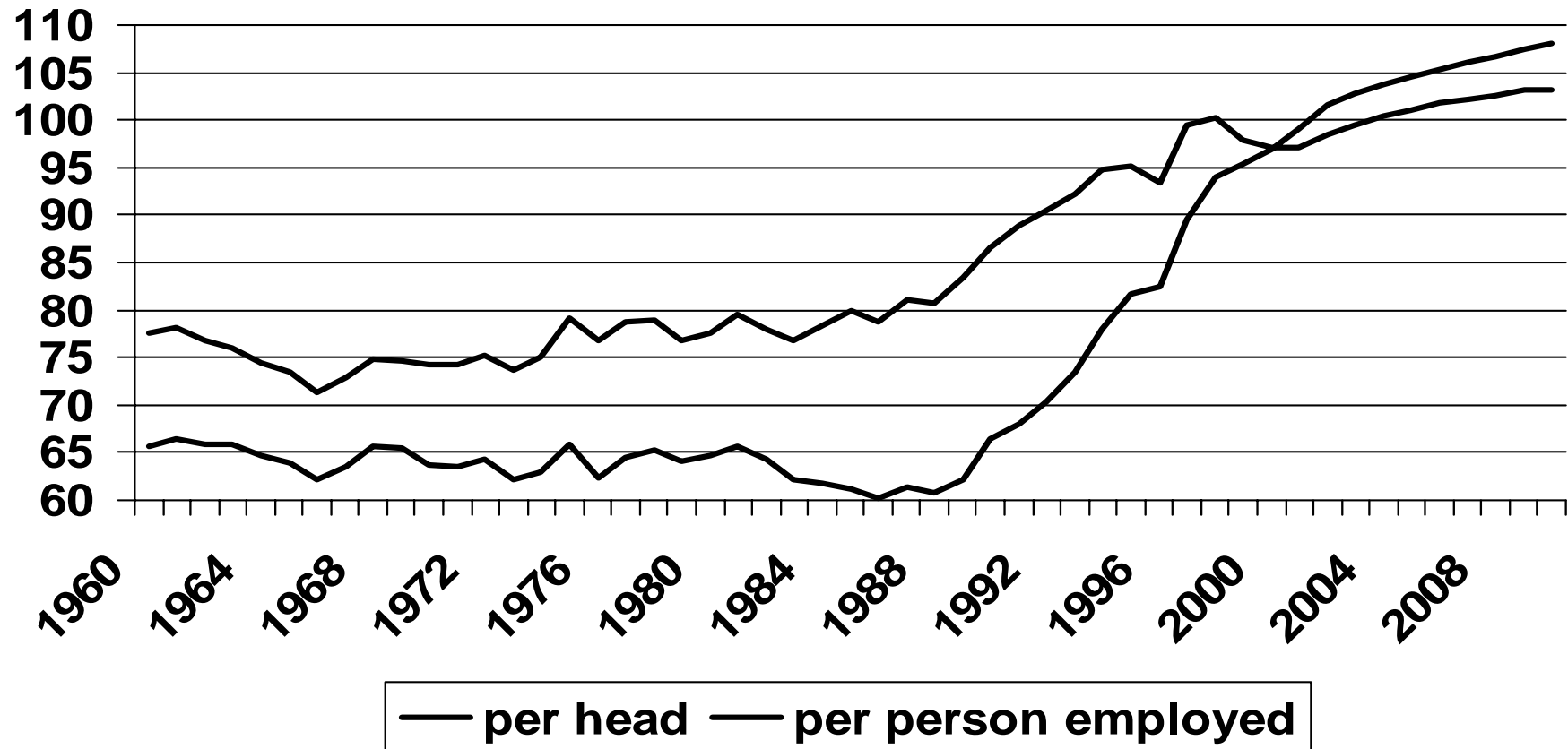
GDP Volume Growth

Annual % Change

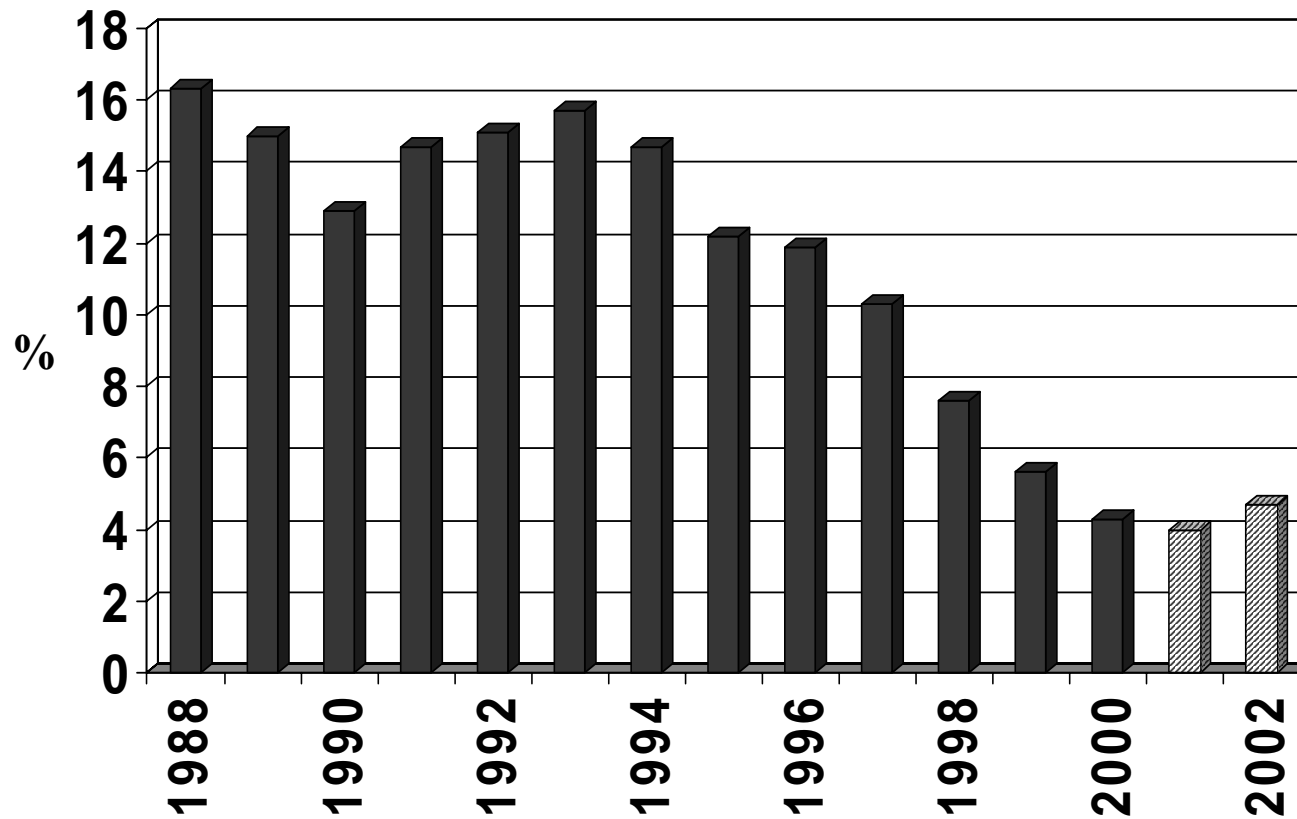


Relative GNP

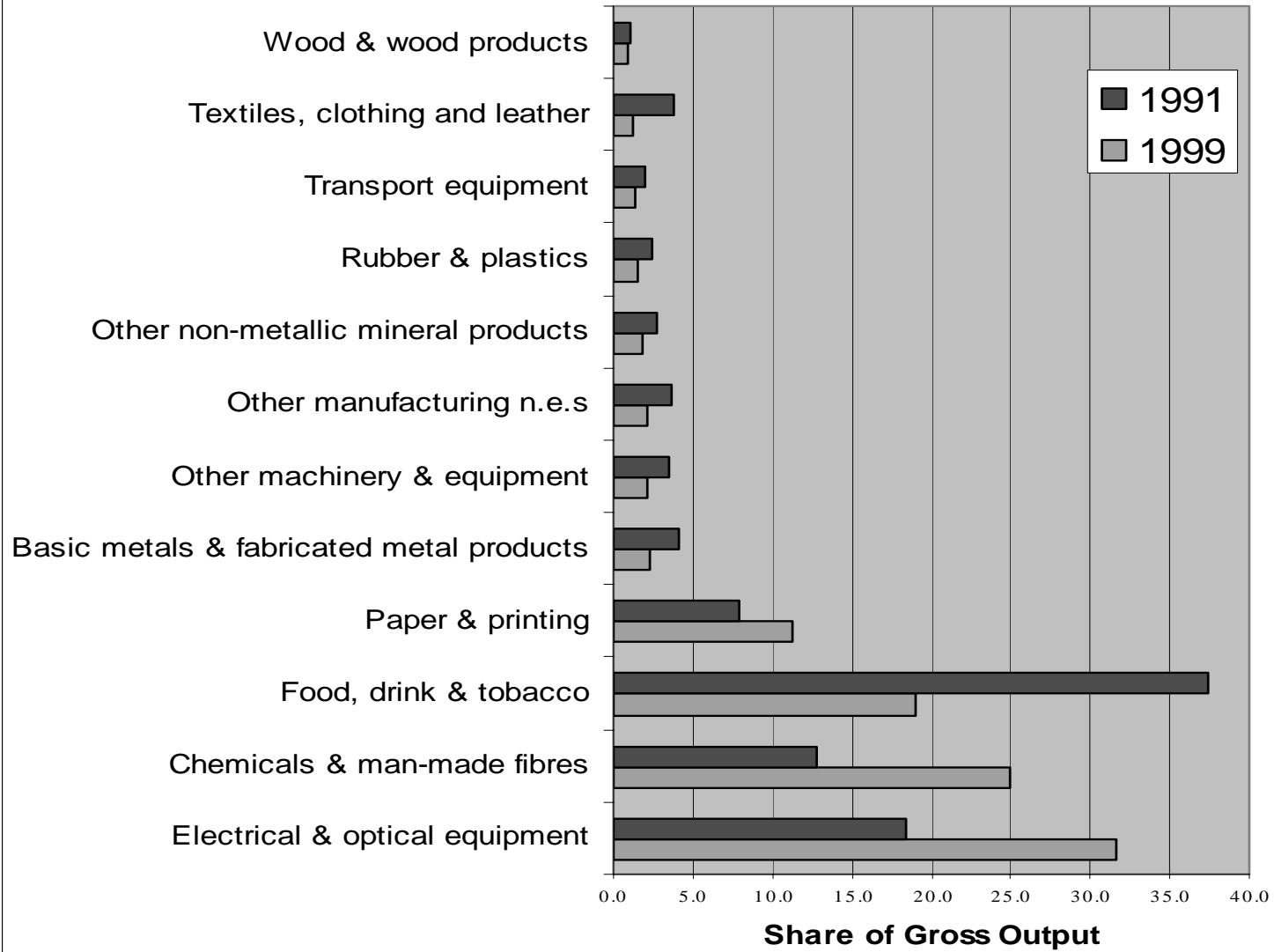
Ireland as % of EU average, in PPS



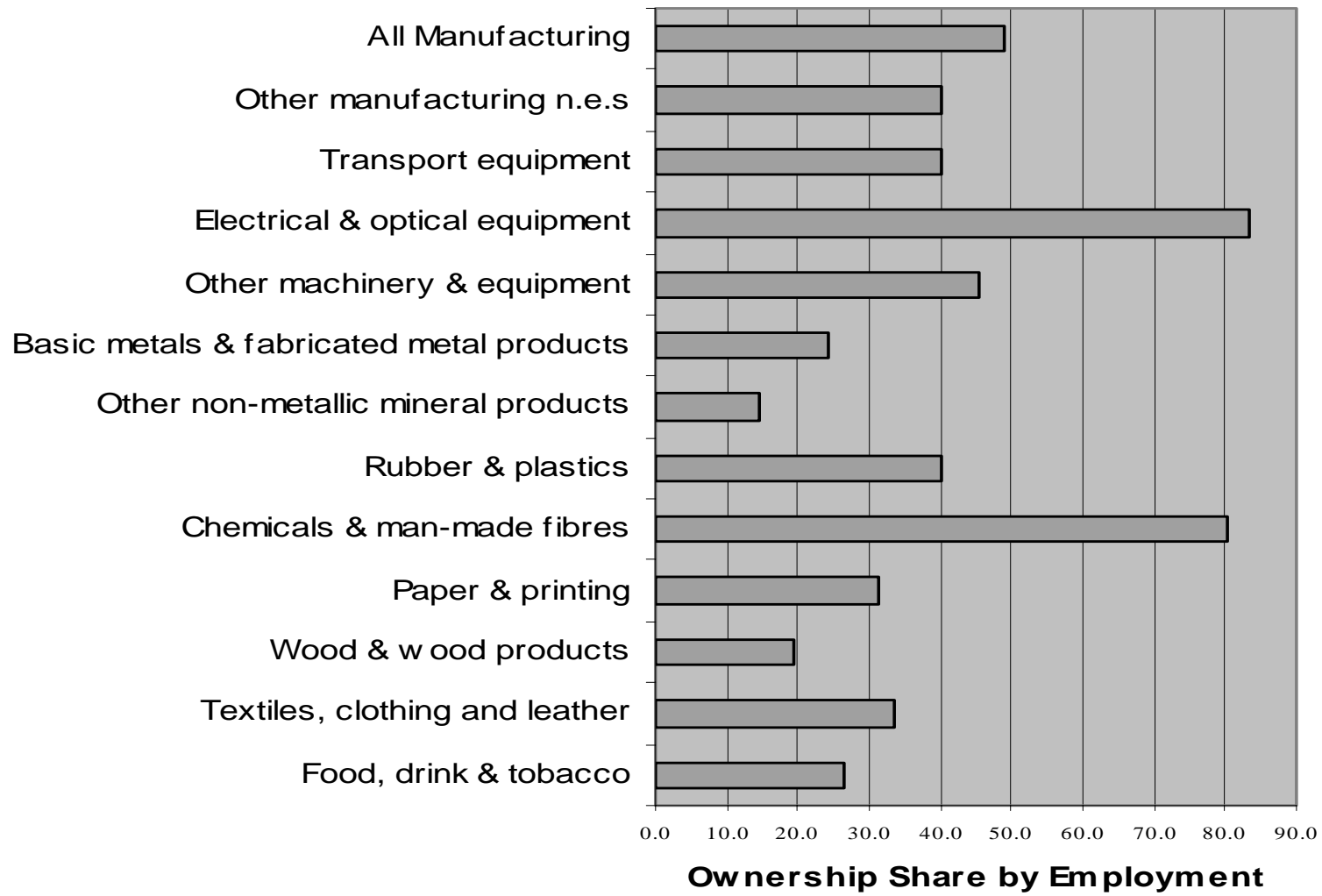
Unemployment Rate 1988 - 2002



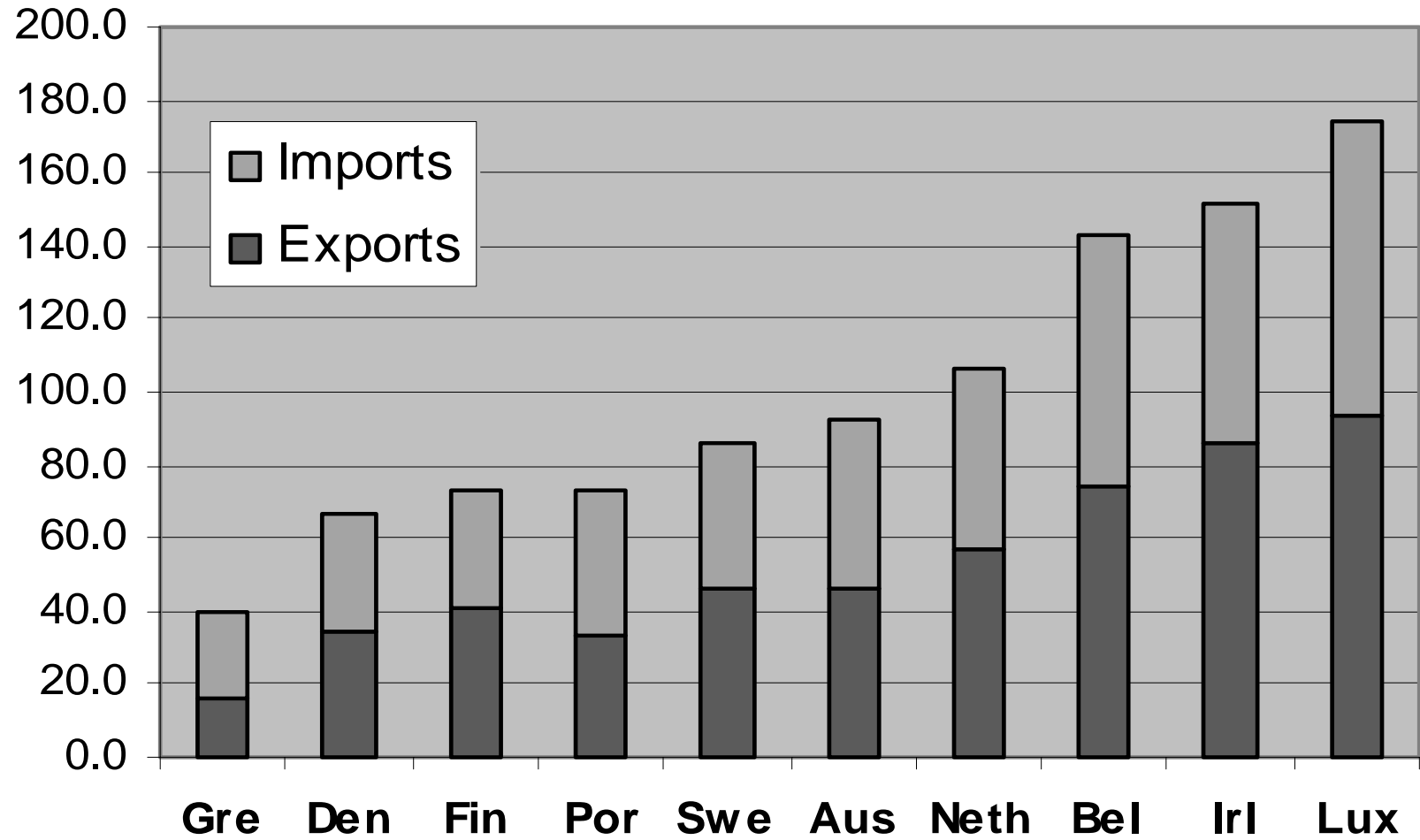
Manufacturing RoI 1991 & 1999



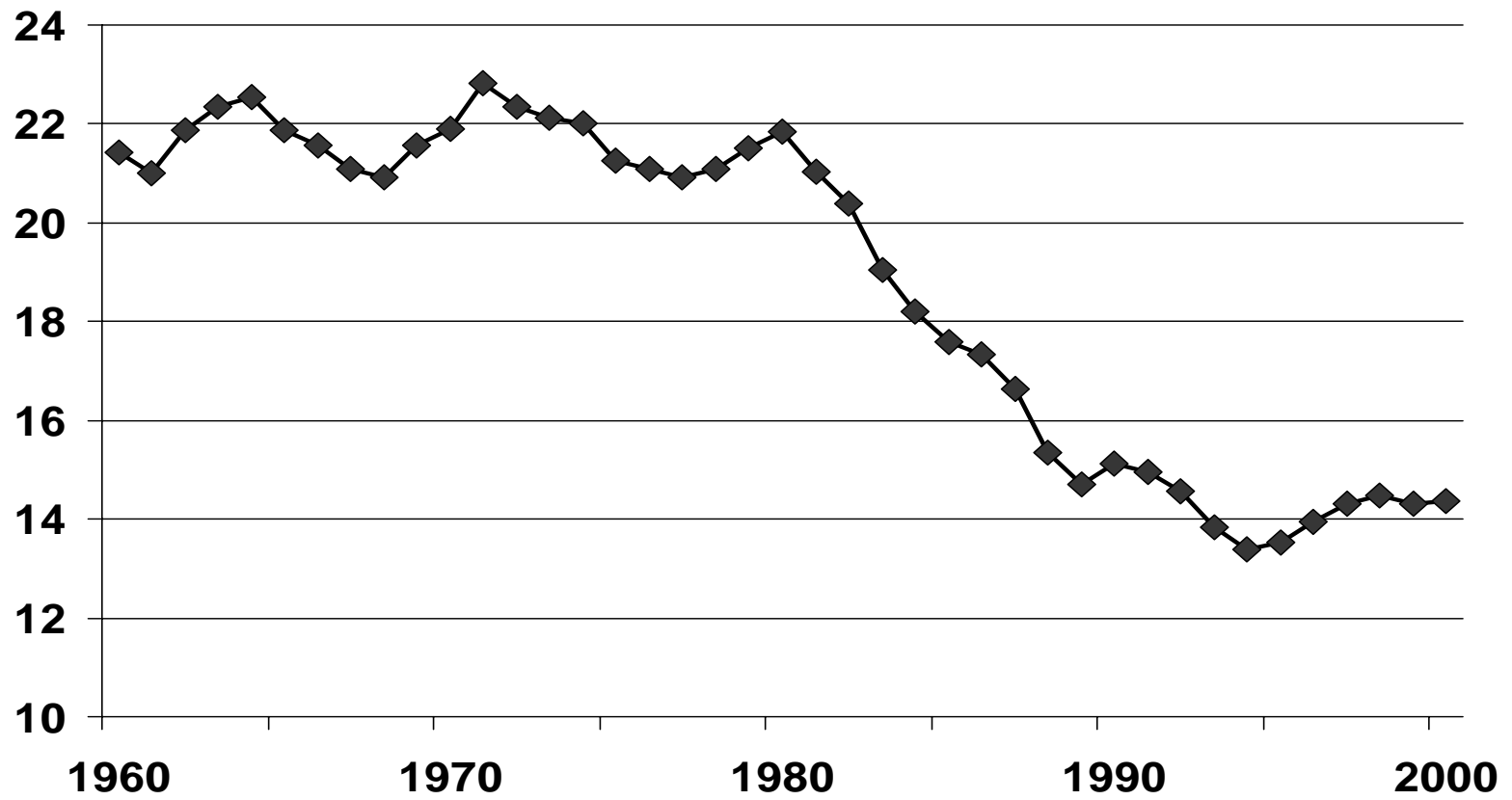
Foreign Ownership Share by Employment RoI 1999



Trade as % of GDP 1999

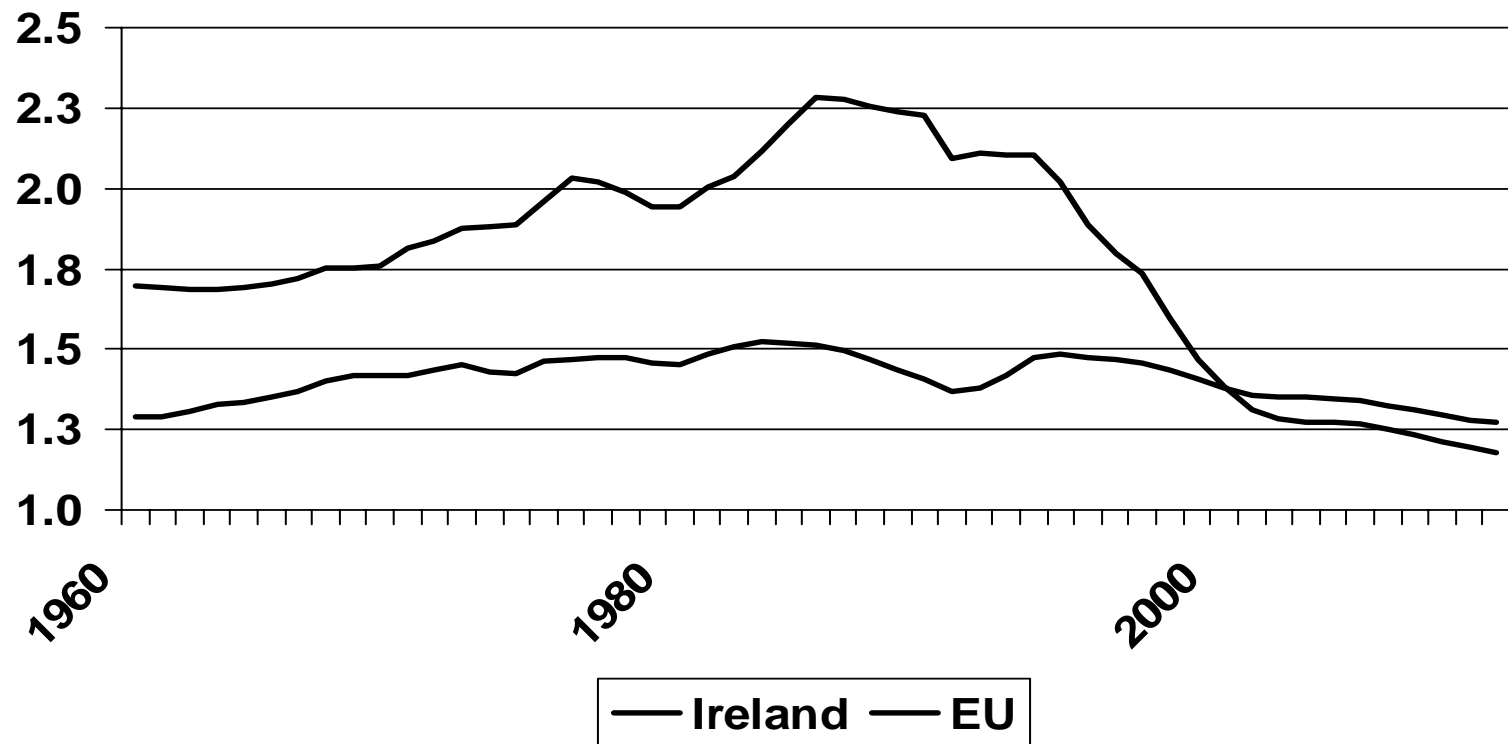


Birth Rate

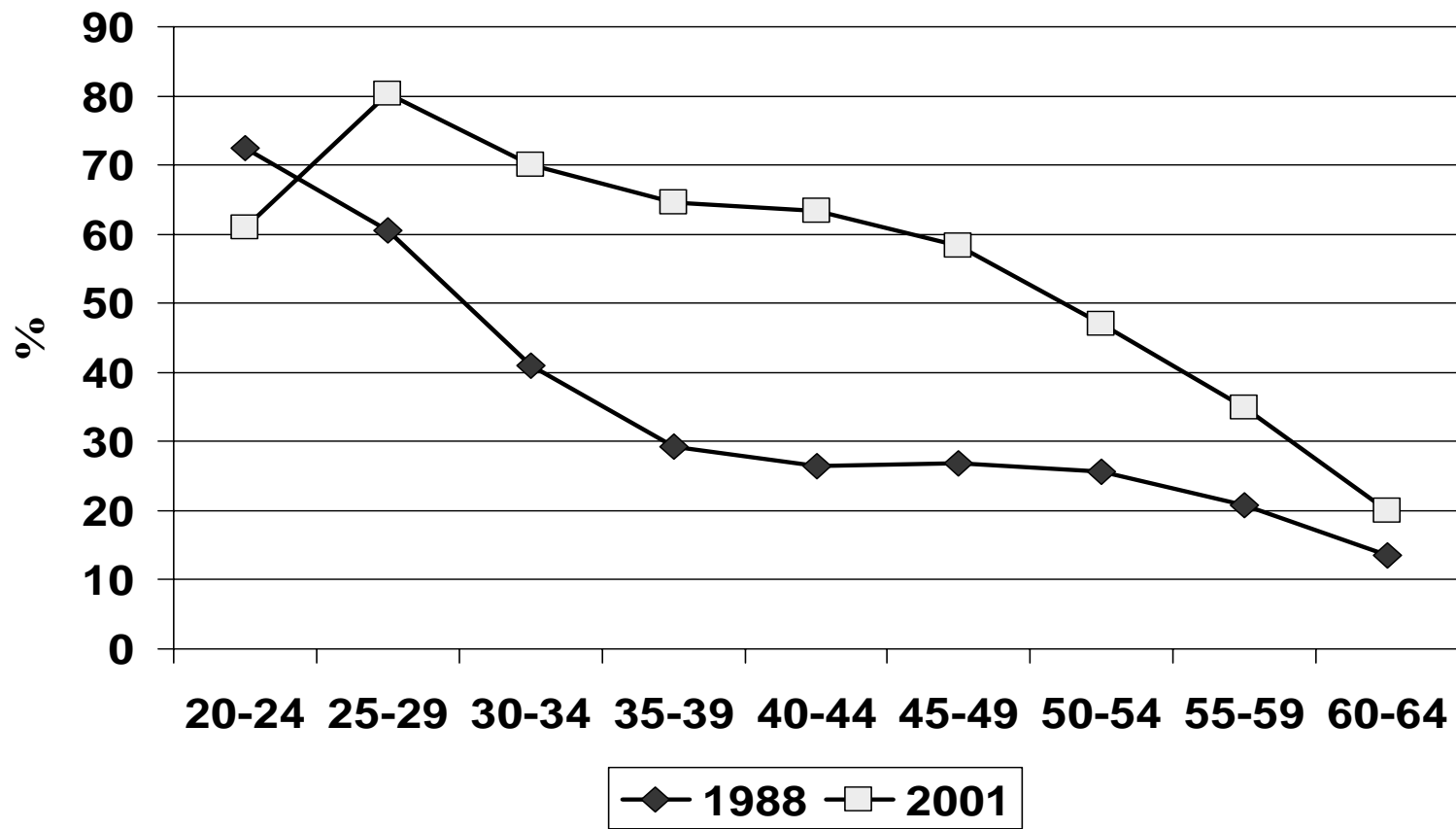


Economic Dependency

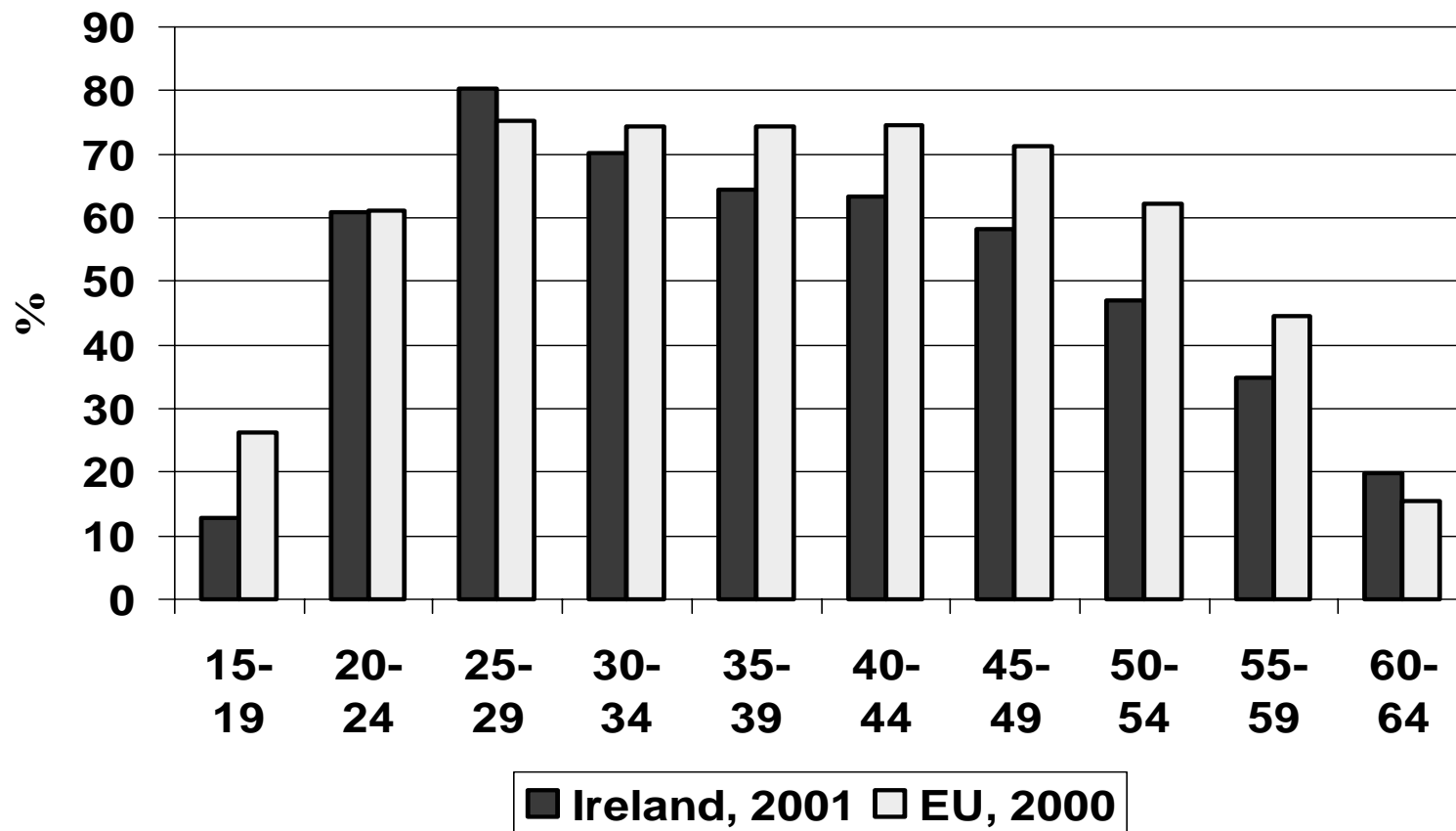
Dependants per person employed



Female Labour Force Participation



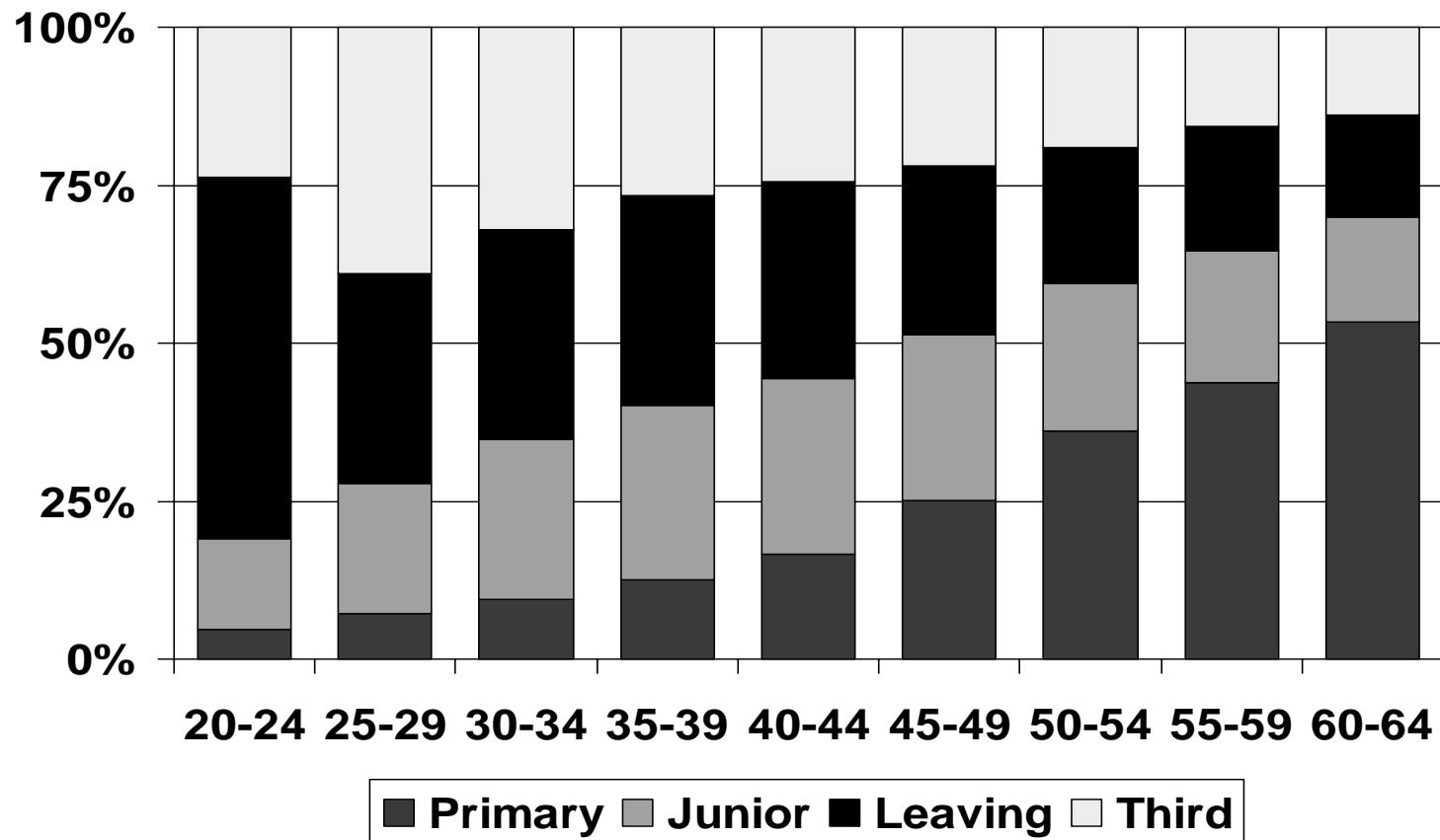
Female Labour Force Participation



Education in Ireland

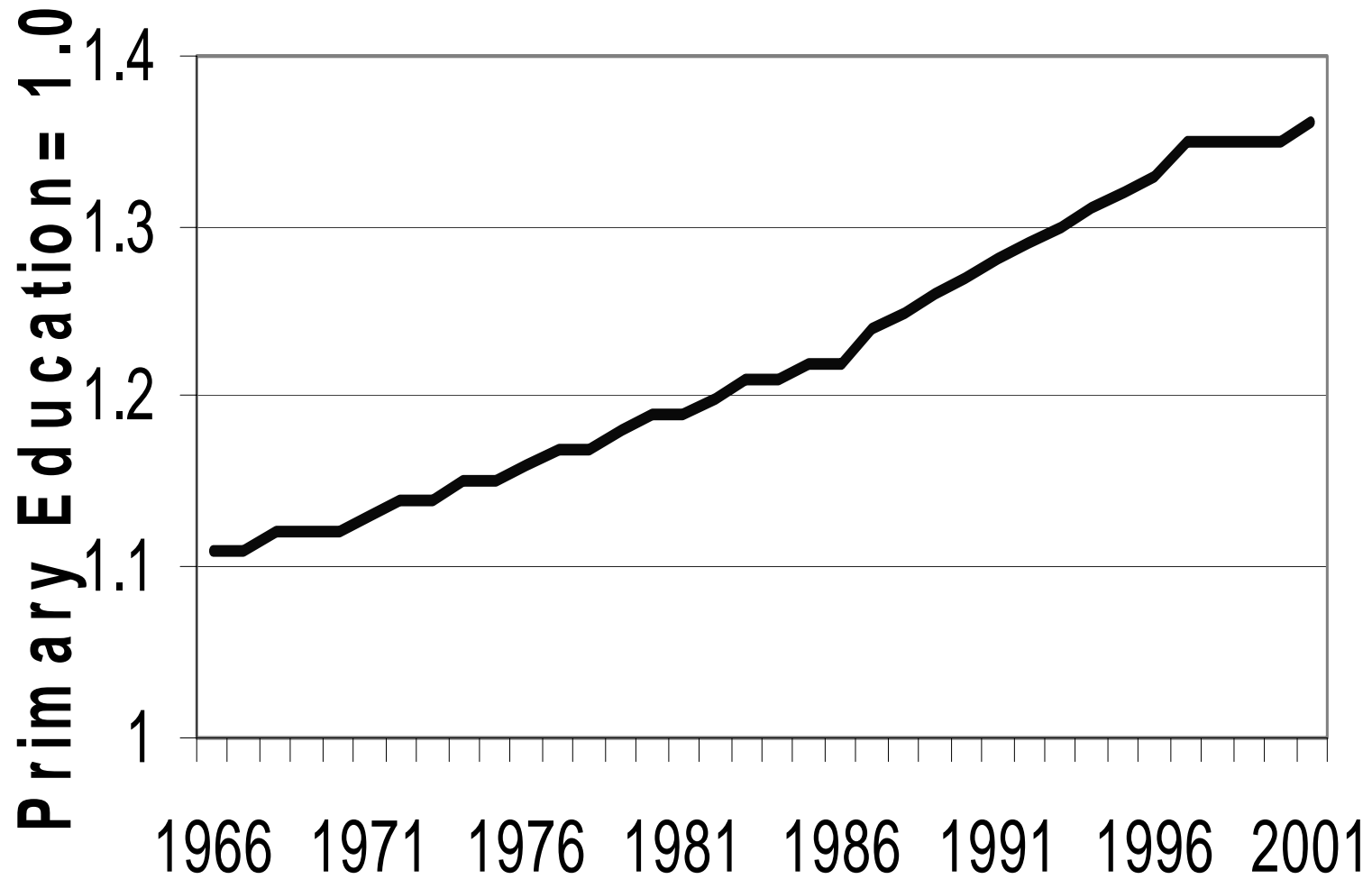
- *Missed out on post-war educational expansion*
- *“Free” education introduced in 1967*
- *Today, just over 80 per cent of the cohort finishes second level and just over 50 per cent of these go on to 3rd level*
- *Centralised, standardised system with emphasis on general education*

Educational Attainment, 2001

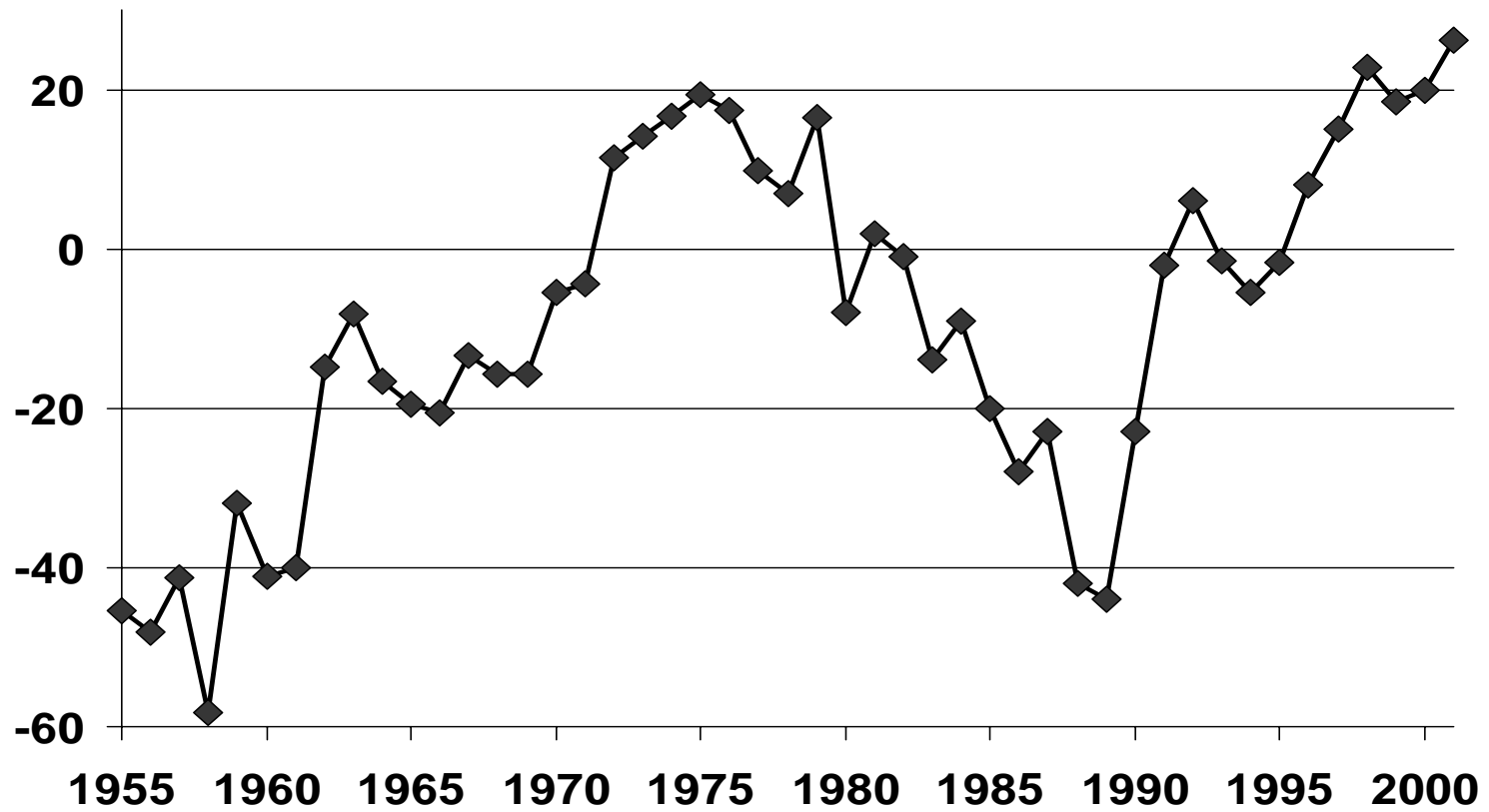




Index of Human Capital 1966-2001



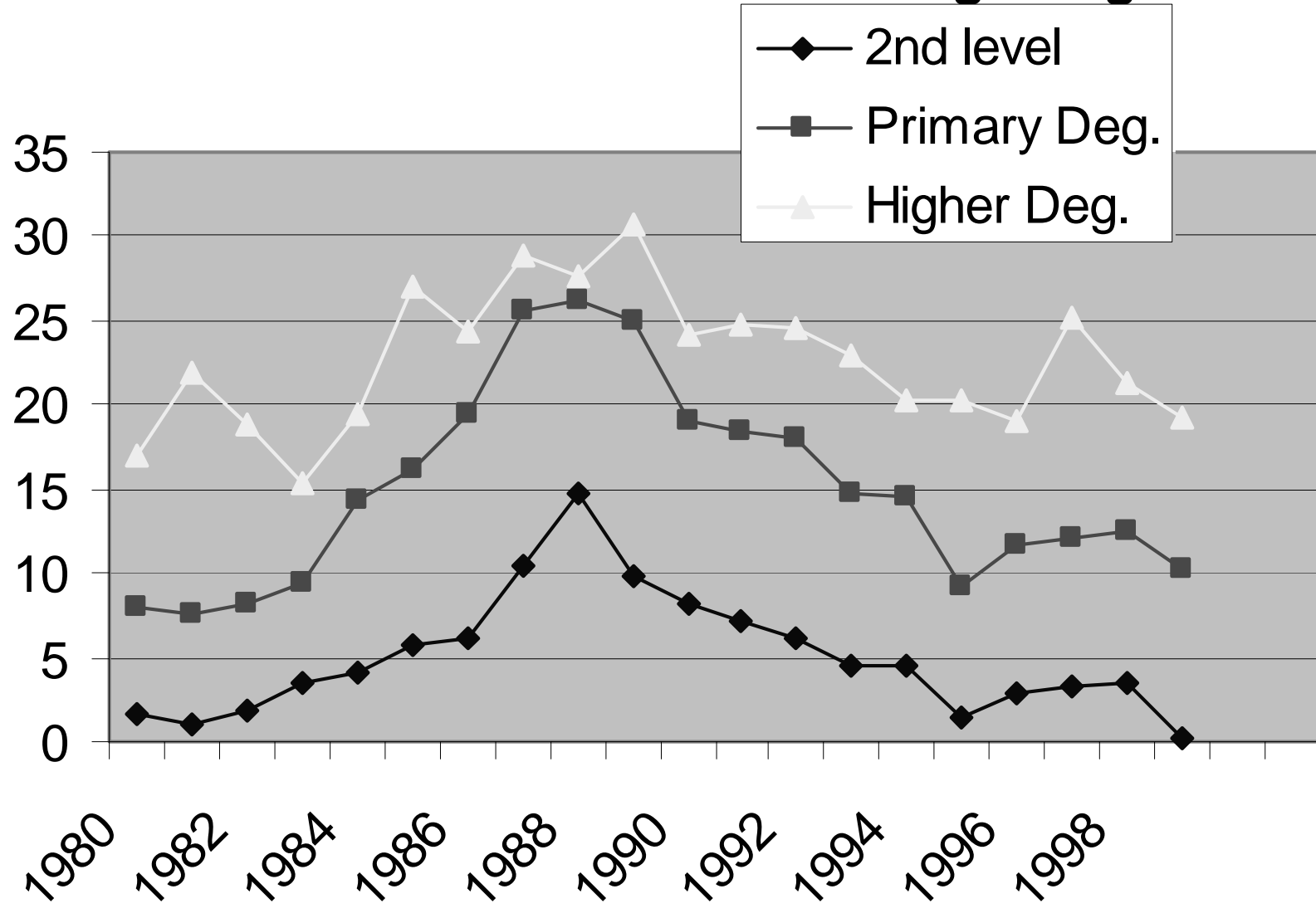
Migration 1955 - 2001

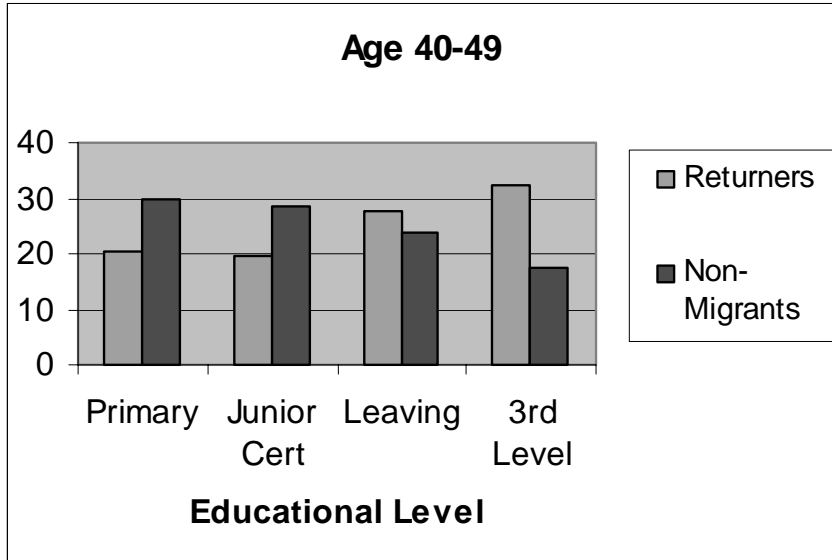
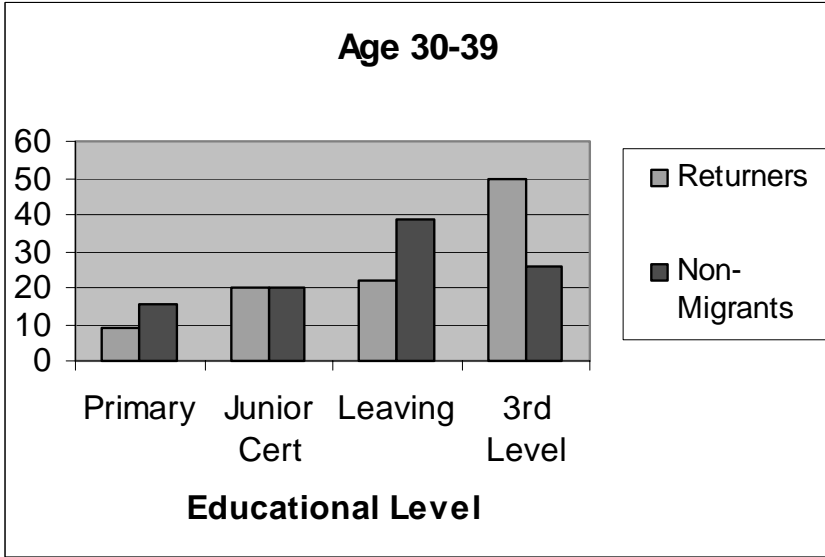
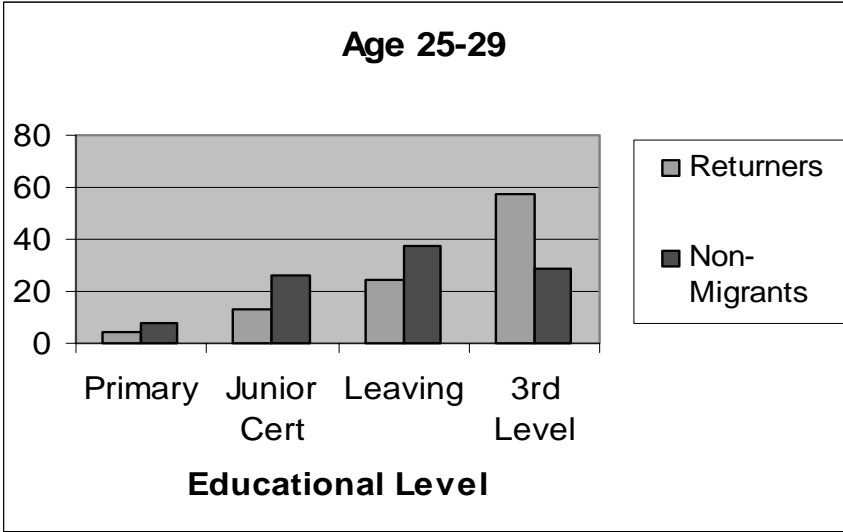
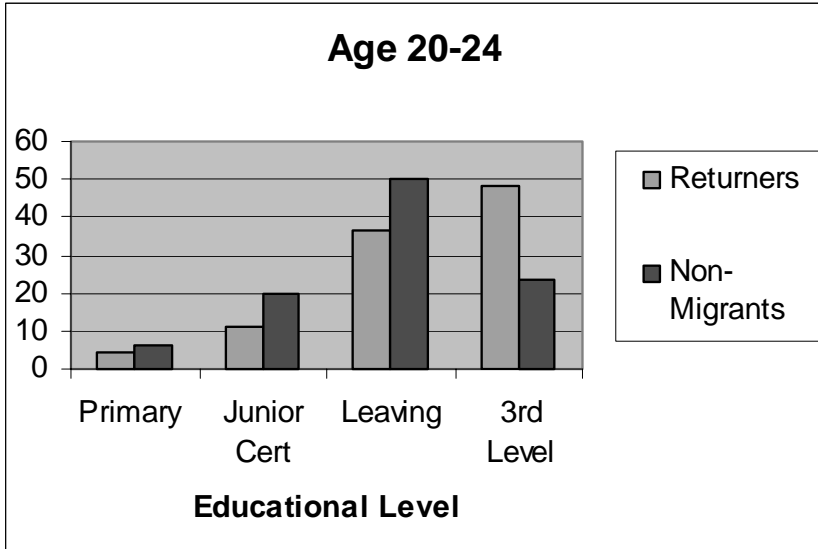


Skill Levels of Emigrants

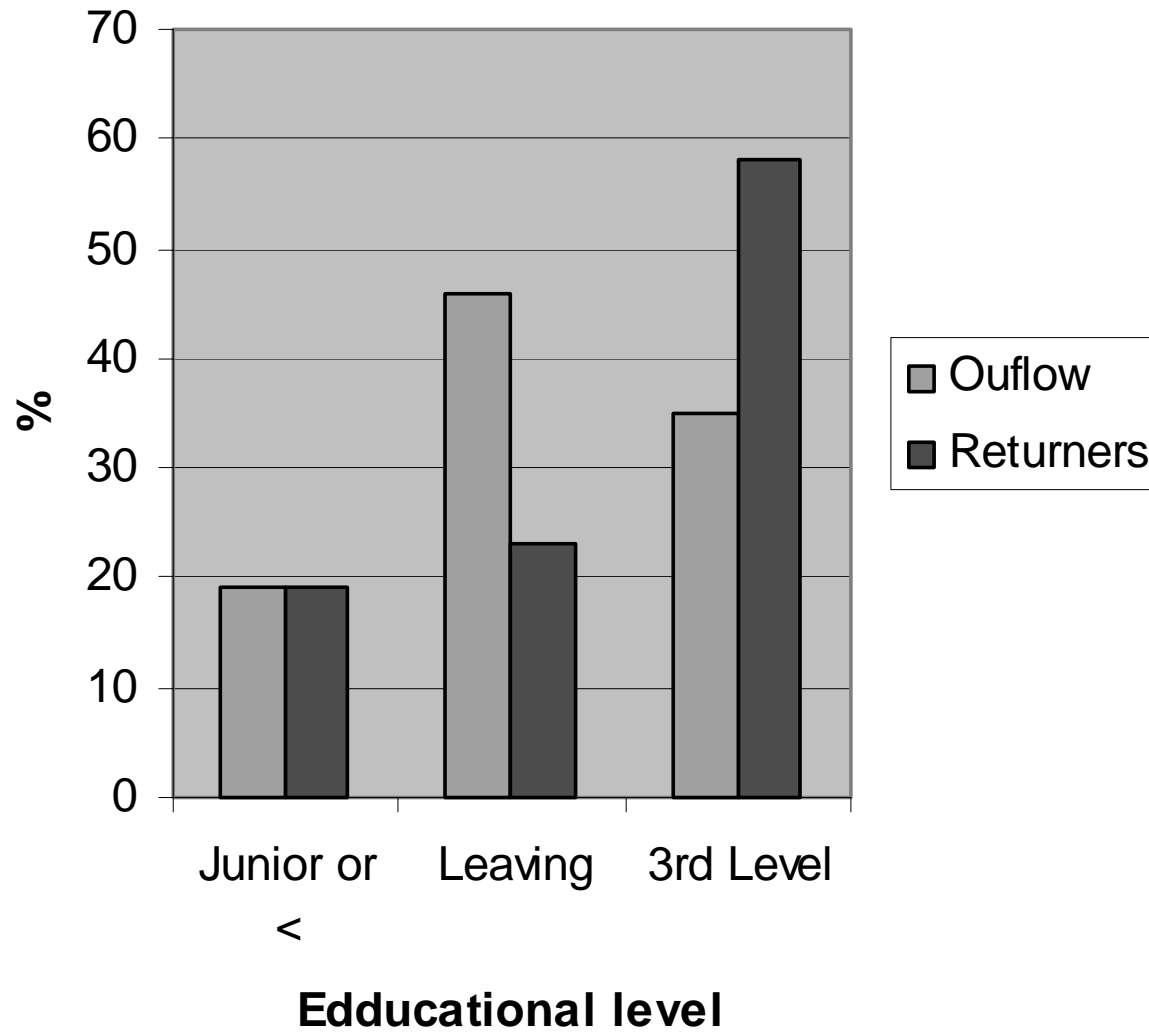
- *These were very low till the mid 1970s*
- *Primarily from agricultural backgrounds*
- *Emigration Commission (1956) said:*
 - *73% of males were unskilled labourers*
 - *57% of females were in domestic service*
- *Huge reversal in the 1980s and 1990s because:*
 - *Stronger demand abroad for skilled labour*
 - *Tax burden rose on higher paid in Ireland*
 - *Social Welfare system improved relative to UK*

% of Education Leavers Emigrating





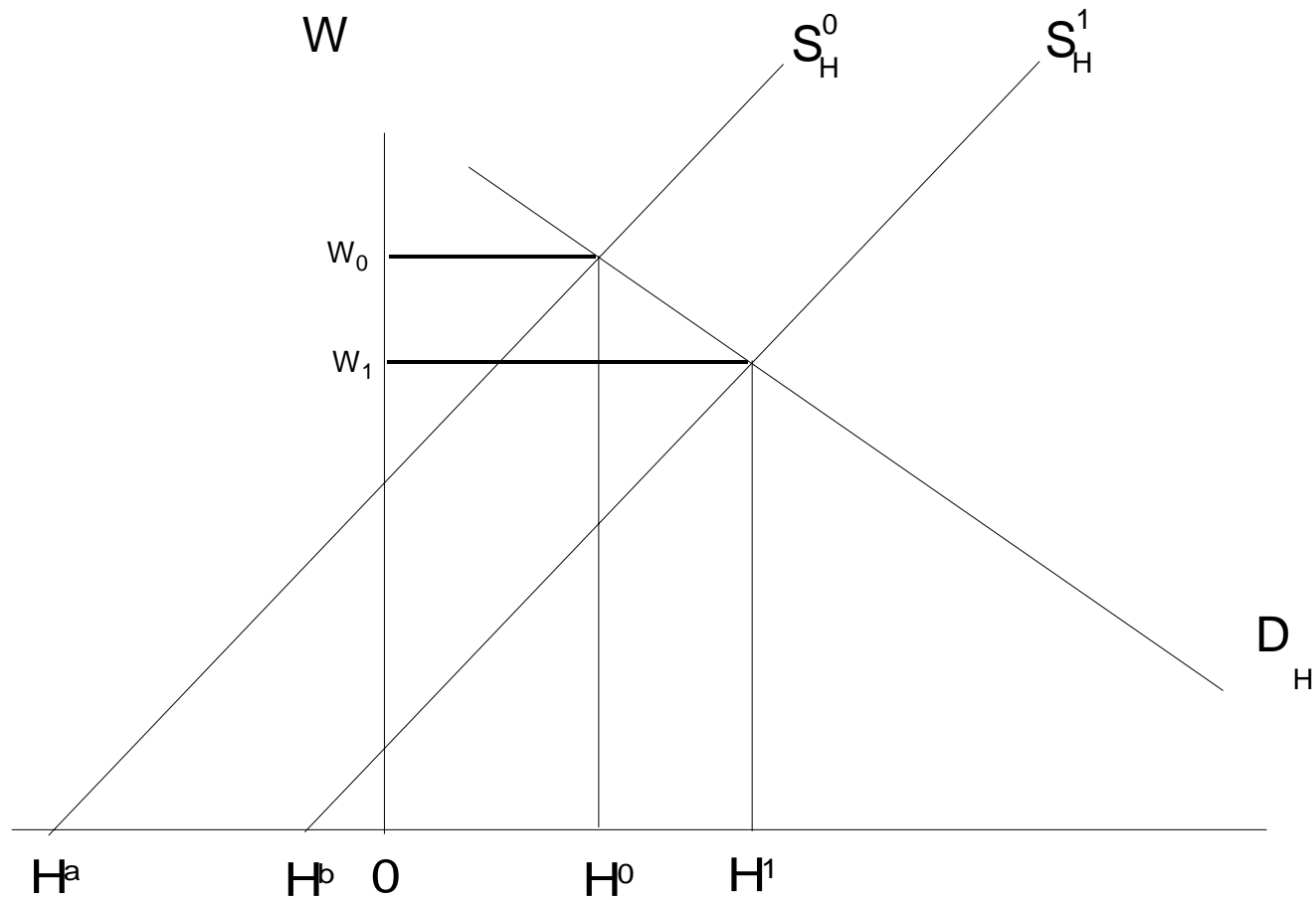
Outflow 1986-91 vs Returners 1996



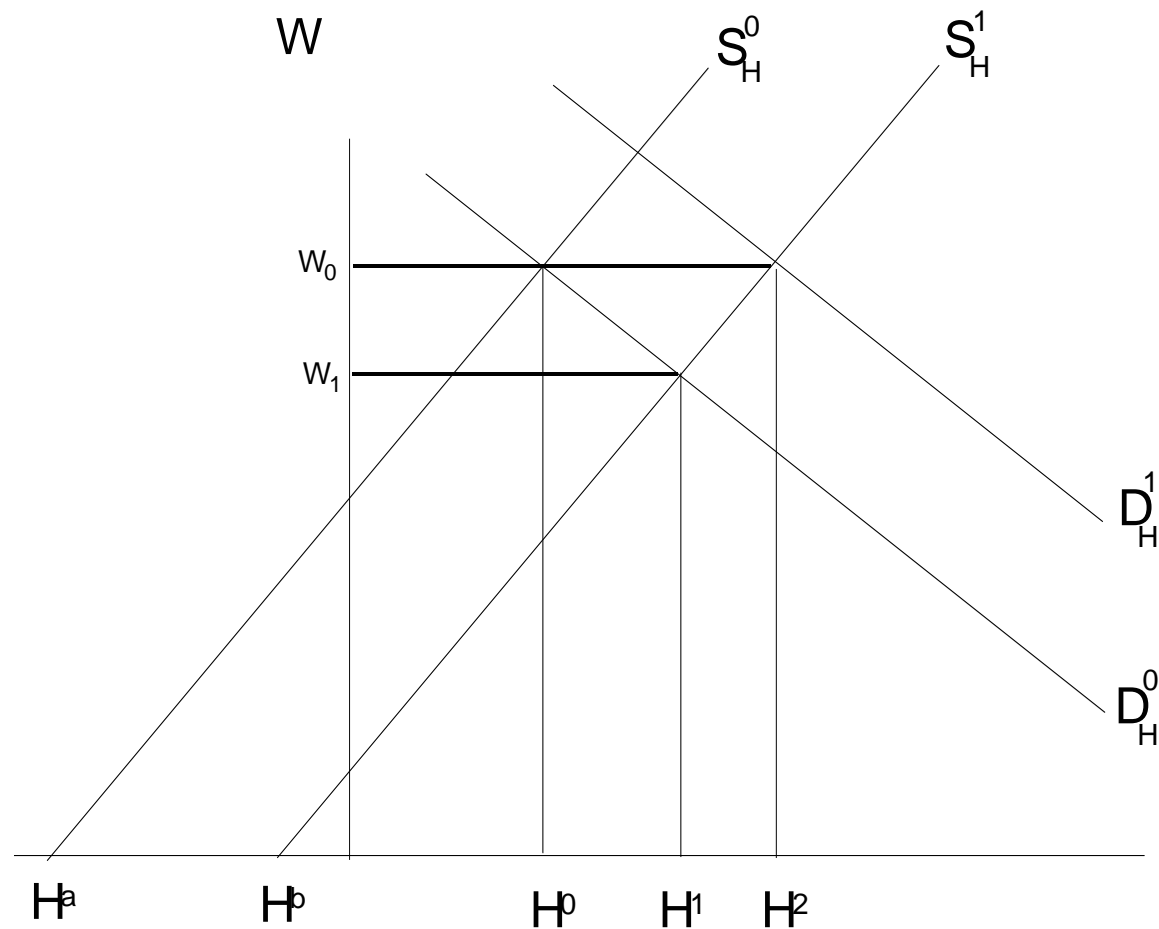
Wage Premium for Returners

- *There is evidence of a positive wage premium for returners (up to 15%)*
- *This is likely to be a return on foreign experience*
- *This is strongest for males and for those whose migration was motivated by labour market considerations*
- *Females may be “tied migrants” in Mincer’s sense*

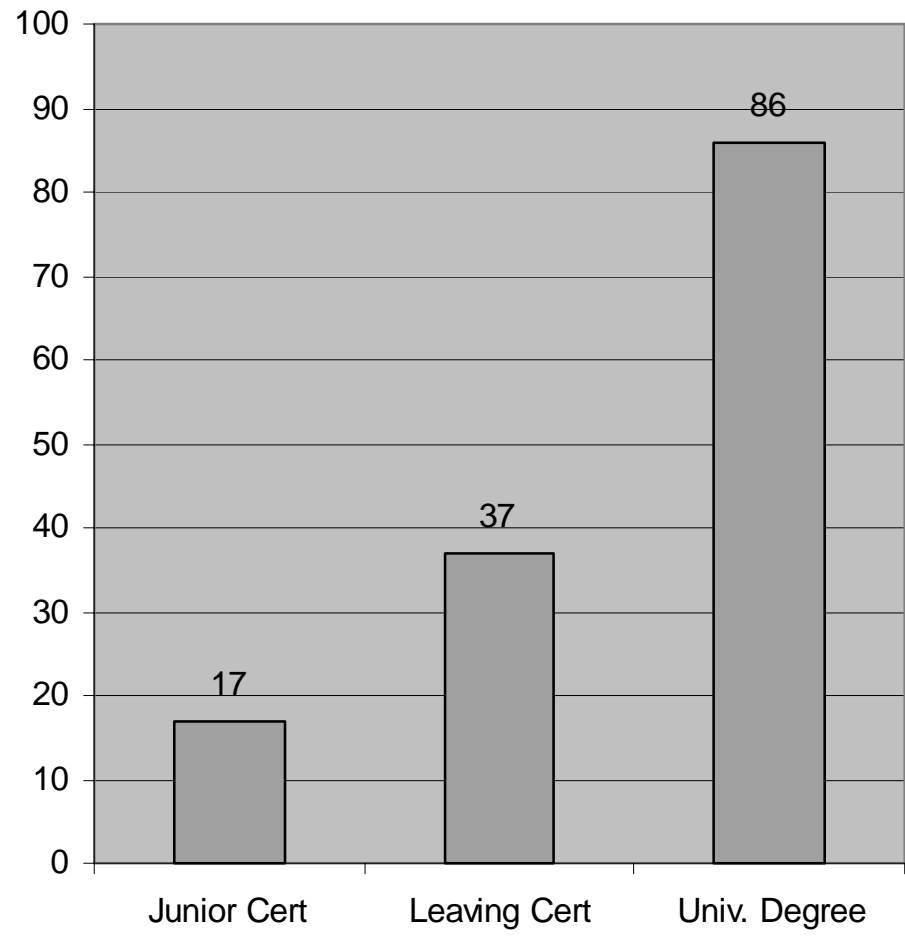
Increase in Supply - Skilled



Increase in Demand - Skilled



Returns to Education 1987



■ Returns to Education %

Returns to Education 1987-97

- *Returns rose between 1987 and 1994 but only for those in the middle age groups*
- *This was possibly a return on experience*
- *Between 1994 and 1997 returns to older groups fell, possibly as a result of the increased inflows of highly qualified labour*
- *Model to disentangle these effects*

Labour Market Model

- *Skilled labour in elastic supply*
- *Unskilled labour inelastic in supply*
- *Elasticity of substitution zero*
- *Output determined by cost of production*
- *Model determines output, skilled labour supply and wages for each type of labour*

Model Results: Effects of 4 years immigration up to 1999

- *Skilled labour supply* +3.2%
- *Skilled wage rate* -4.7%
- *GNP* +1.5%
- *Total Employment* +3.2%
- *Unemployment Rate* -0.7%

Conclusions

- *Where labour mobility is high, skilled labour can be very sensitive to wage and opportunity differentials*
- *Return migration flows can be important in coping with skills shortages and can enhance growth potential*
- *There appears to be a positive wage premium for returners*
- *Return flows can have complex effects on both skilled and unskilled wages and on output*