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The Brain Drain or Gain?

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Views expressed in this manuscript are those of the author(s) alone. For more information contact the Co-Directors of the Centre, Dr. Don DeVoretz, Department of Economics, SFU (e-mail: devoretz@sfu.ca) or Dr. David Ley, Department of Geography, UBC (e-mail: davidley@unixg.ubc.ca).

The Brain Drain or Gain?

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The “brain drain” debate has reappeared in many forms over the last six months in Canada. The image was best portrayed recently on our television screens on Oscar night. Two Canadians were nominated for best director. The one who left for the United States at age 17 was the “winner,” while the second, who still resides in Toronto, was an “also ran.” Canadians tried to rationalize this perverse outcome of the “brain drain” by arguing that Atom Egoyan’s near success was still outstanding given that he stayed at home. The less-dramatic anecdotal information portrayed in the print media conjures up visions of the young, well-educated and energetic leaving with their heavily subsidized degrees for higher paying jobs and lower taxes in the United States or Asia. Those of us left behind wonder if we are missing out on something good or ponder if those who voted with their feet have a message for us. Also, there is a defensive tone to the debate — some critics characterize these leavers as ingrates who do not appreciate the social safety net of Canada and will rue the day they left when illness or unemployment befalls them. Others are even less charitable when they accuse the Canadian émigrés of being attracted by the venal rewards of higher pay and lower taxes. This ongoing debate begs a series of fundamental questions. Is this much ado about nothing? Is it media hype? Do the numbers, albeit modest, justify the sobriquet “brain drain”? Does this skilled outflow indicate a fundamental disequilibrium in the Canadian labour market? Is Canada losing its competitive edge in high-tech industries because of our tax structure, slow job growth, ill-conceived educational policies or perhaps for all of these reasons?

Before we attempt to answer these contemporary questions, we must remember that the movement of Canadians to the United States and Americans to Canada has a long history. Loyalists and Blacks moved to Canada from the United States to avoid persecution in the 18th and 19th centuries. At the turn of the century, large-scale Canadian emigration to the United States occurred as a by-product of that period’s large European immigrant inflows

to Canada. After a forty-year hiatus, no substantial cross-border movement occurred until the 1950s. This time it was largely one way — Canada to the United States — and this movement earned the sobriquet “brain drain” since it consisted largely of highly skilled Canadians moving the United States. Immigration legislation in the United States halted this flow in 1965. A robust Canadian economy, unpopular U.S. military adventures and a Canadian policy of tax rebates to skilled immigrants rekindled a one-way flow of highly skilled United States immigrants to Canada between 1965-1972. Then, the two countries entered another near twenty-year period of quiescence with no substantial cross-border movement.

In the interim, Canada fine-tuned its immigration policy and searched the world with its much-imitated “points system” and experienced a substantial “brain gain” from Europe and the Third World. Now that the “brain gain” from the rest of the world has shrunk and we are experiencing a “brain drain” to the United States, coalitions are forming even before contemporary studies are completed. Some schools — Sheridan College, Waterloo, Simon Fraser — and many high-tech firms report a substantial exodus of recent graduates, faculty and other skilled employees to the United States. High-technology industries argue that not only are they losing the highly skilled but Canada’s current immigration policy is not providing them with skilled replacements.

Further disquieting trends have appeared in what I would term the politics of the “brain drain.” Whether the relatively small gross flow of 28,000 highly skilled Canadian permanent movers *circa* 1990-95 coupled with a substantial temporary annual movement of 43,000 NAFTA-related workers justifies any remedial policy action often depends on what side of the political spectrum you reside. Companies that are strong NAFTA participants, such as Canadian financial institutions, view cross-border movement to the United States as either benign or beneficial. Canadian movement to the United States of highly skilled workers at the behest of these outward-looking firms is a small part of a larger puzzle. These temporary movers are expected to return to Toronto, Vancouver or Dorval with new skills to make their firms more efficient competitors in the global

economy. Current United States immigration policy, however, permits this idealized view to break down as these temporary movers convert their status to permanent residence in the United States. In other words, the “brain drain” is now occurring through the back door of NAFTA temporary movement. But those Canadian firms with offices in the United States have another piece to add to the puzzle when they import their American-born employees to their home office for training on a short-term basis. An almost seamless web is created in this context that benefits all employees with higher pay and both economies with more culturally sensitive and productive employees. Hence, under this vision there is no brain drain if Canadians return; just a mutually beneficial human capital transfer.

How do we interpret other less-benign views? For the Canadian taxpayers and some university presidents, the movement of post-secondary graduates has become an irksome problem since the flow of resources is largely one way. Canadian scholars and recent graduates surf the web or listen to glowing reports from recent Canadian emigrants to the United States. Lack of entry-level jobs, inadequate research facilities and higher incomes abroad induce Canadian engineers, scientists and young scholars to leave and better themselves. Movement of Americans to Canada in the professions is small and does not compensate for the Canadian outflow. This is not the world of the seamless web of intra-company transfers to and fro. In fact, the Canadian taxpayer is the principal loser. He/she subsidizes the highly skilled during their education period in Canada under the implicit contract that graduates remain in Canada to pay for the next generation. This heretofore seamless web of financing education is broken each time a highly skilled Canadian disappears to Houston, New York or, if less fortunate, Bakersfield. Of course, the Canadian taxpayer has no spokesperson and university presidents are largely reticent; hence this coalition is under-represented in the debate.

Others critics of the “brain drain” fill the vacuum. They range from conservative “think tanks” that decry Canada’s high marginal tax rates to other critics who are concerned with the more fundamental problem of the long-term health of Canada’s economy. This latter

set of critics are economic growth theorists who, in the last ten years, argued that the collapse in Canada's economic and productivity growth could be largely attributed to the inability of Canada to gain a strategic and early advantage in the high-tech field. Their ingredients to realize this advantage are an expansion of Canadian higher education, retention of these skilled graduates and further importation of the highly skilled from abroad. On all fronts, Canada in the 1990s is losing these strategic components. Recent graduates are leaving, leading scholars are moving and Canada's ability to attract replacements through immigration has been eroded.

The short-term problems of lost taxpayer education subsidies, tax disadvantages, intra-company transfers that have gone astray are just that — short term and not, therefore, of fundamental interest. It is the long-term consequence that is disquieting. We are losing relatively large numbers of recent graduates in key areas — the innovators of the future — and new Canadians from abroad are not replacing them. As a colleague remarked, the brain drain to the United States involves small numbers but big problems. It will take imaginative policies to slow down the exodus of talent given Canada's tradition of subsidizing education and encouraging freedom of movement.

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