

# Composition and determinants of the skilled out-migration in the Brazilian formal labor market: A panel data analysis from 1995 to 2006<sup>☆</sup>

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## Abstract

This paper aims to examine the composition and identify determinant factors of interstate the skilled labor loss in the Brazilian formal labor market between 1995 and 2006, with emphasis on the role of individual motivations and regional factors. In order to estimate such determinants, we use a fixed-effect logit in a wide panel with data from Ministry of Labor and Employment (RAIS-Migra – annual report on social information) and IBGE (the Brazilian Statistics Bureau). The estimated results confirm the importance of wage differentials in determining such mobility. Furthermore, an increased skilled out-migration probability is explained by skilled workers heading to states showing economic prosperity, higher dynamism in the labor market, as well as higher population density.

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## Resumo

O objetivo deste artigo é analisar a composição e identificar os fatores determinantes da mobilidade interestadual de trabalhadores formais no Brasil entre 1995 e 2006, com destaque para o papel das motivações individuais e dos fatores regionais. A partir de dados da RAIS-Migra (MTE) e do IBGE, estimaram-se os determinantes da mobilidade de trabalhadores por meio de um modelo logit com efeitos fixos. Os resultados obtidos confirmam a importância do diferencial salarial como determinante da saída de trabalhadores qualificados. Além disso, o aumento da probabilidade de ocorrência da saída de trabalhadores qualificados está

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condicionado à procura por estados de destino com maior prosperidade econômica, maior dinamismo no mercado de trabalho e densidade populacional mais elevada.

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*Palavras-chaves:* Migração qualificada; mobilidade do trabalho; efeitos fixos; Brasil

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## 1. Introduction

Human capital comprises the knowledge, ability and experience a person is able to acquire and so is understood as an investment by which an individual seeks to increase his/her labor productivity (Jauhainen, 2008). In addition to direct effects on the worker's ability, there are two other indirect ways through which production is affected by human capital: firstly, through the externalities it brings about that mitigate decreasing capital yields; secondly, by means of generation, adoption and diffusion of new technologies. Therefore, human capital has been taken as one of the major factors of economic development and growth, which is accountable for much of the productivity differential among countries and regions (Mankiw et al., 1992).

In this context, a phenomenon related to resource transfer by way of human capital from one region to another – sometimes called brain drain in the literature – is particularly worth mentioning. Such a phenomenon consists in skilled labor force out-migration that – since being involved with human capital flows – may be seen as an alternative to poverty reduction, regional growth and reduction of spatial inequalities.

Therefore, due to the significance of resource transference by means of human capital for the economy, an important question arises: what are the factors influencing a skilled individual's choice to remain or leave a given region? Despite their relevance, factors determining the exit of skilled labor from a given region have been scarcely treated, mainly as far as the individual's decision is concerned. Most studies have focused on the effect of international brain-drain on macroeconomic aspects of less-developed countries, as well as on the determinants of brain drain among countries. However, studying this phenomenon in the context of internal migration is highly relevant, since the movement of skilled people occurs between regions in a country and involves a much more intense migration flow. And this occurs because there are no barriers to migration, such as legal hindrances, cultural and language differences. The Brazilian case is an example.

Being a continent-sized and highly economically and socially diversified country, internal migration in Brazil has proved to be a highly significant phenomenon. Fiess and Verner (2003) pointed out that Brazil is a country of immigrants, since more than 40% of its population has migrated in a given point in time. Pereira (2000) showed that almost a third of the Brazilian population live in a different municipality than that of origin.

Furthermore, Brazil has presented a remarkable growth in the education of skilled labor force in the last years. According to the *Censo do Ensino Superior* (the higher learning census from INEP – the Brazilian Institute of Studies and Educational Research Anísio Teixeira of the Brazilian Ministry of Education), the number of students concluding tertiary education grew from 245,887 in 1995 to 717,858 in 2005, and the number of higher learning institutions increased from 894 to 2499 in the same period. A significant expansion of skilled workers could be detected in the Brazilian formal labor market, ranging from approximately 3% in 1995 to 9% in 2005 – RAIS – *Relação Anual de Informações Sociais* (annual report on social information of the Ministry of Labor and Employment). However, even in face of skilled labor growth, there still exists a significant concentration of more qualified people mainly in the Southeast and South regions of the country.

In this sense, resource transference through human capital among Brazilian regions is an important factor in the country's economic growth and development. Therefore, analyzing the determinants of skilled labor force migration is relevant for Brazil, since a better understanding of such determinants may become useful for economic policy intended to reduce spatial inequalities, as well as for determining strategies viewing the Brazilian economic growth.

This paper is thus mainly intended to analyze and identify the determinants of interstate redistribution of skilled labor force in the formal Brazilian labor market with the use of a fixed-effect logit model covering the period 1995–2006.

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