

# Brain Drain: Korea Exports Human Capital

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Human capital is the most important form of wealth in a knowledge-based economy. The success of a nation in today's economy depends significantly upon how many highly skilled professionals it can secure and retain. Countries with more intellectual resources achieve a higher rate of economic growth and faster development in science and technology. If there are not enough skilled professionals domestically, the only alternative is to import them.

In the drive for human capital, many advanced countries are giving priority to policies aimed at attracting highly skilled immigrants and students. These countries invest large amounts of money and time in national programs that not only nurture domestic talents, but also attract skilled foreigners. Singapore has recently decided to implement a system similar to that of Canada and Scotland, where any university student or graduate from an advanced country can obtain a work visa. The United Kingdom and Australia have instituted similar reforms and will implement them shortly. The United States Congress voted a few years ago to increase professional working visas for foreigners with college degree and specialized skills. To remain competitive globally, a country needs to import talented workers or it will export jobs and industries.

## **What Is a Brain Drain?**

A brain drain is an emigration of trained and talented individuals to other nations/destinations for economic opportunities and a higher standard of living. It parallels the term "capital flight" because, when trained professionals leave their homeland and/or do not return after studying abroad, investment in higher education is lost. Typically, the greatest brain drains have been from developing nations to advanced countries. In the 1990s, approximately 650,000 people from emerging markets (mainly from Asia) migrated to the United States on professional working visas. More than 40% of foreign-born adults in the United States have at least some college education, and nearly 20% of all employees in the high-technology sector are foreign-born. Around the world, approximately a third of the R&D professionals of development countries have left their homelands to work in the United States and other industrialized countries. In a global market, it is a natural tendency for people with the right skills and talents to migrate to a country that offers better opportunities and conditions. It is difficult to control such migration in a democratic environment. But why is Korea, the world's 12<sup>th</sup> largest economy, experiencing a brain drain? What are some of the implications of losing skilled professionals?

## **Korea Exports Skilled Workers**

Korea is not only exporting cars and semiconductors, but it is also exporting the nation's talented human capital. According to the Hyundai Research Institute, an increasing number of skilled professionals, especially in high-technology and health care industries, are going abroad in search of better opportunities and a more challenging environment. In 2004, more than 300 researchers from Korea's semiconductor manufacturers moved to Singapore and Malaysia, where the job prospects were brighter and their skills in far higher demand. Most had advanced degrees and held managerial positions in Korea. To ease a nursing shortage, the U.S. government and hospitals have offered attractive incentives to bring Korean nurses to the United States. A provision in the U.S. Senate immigration bill would lift a cap on special visas for nurses, which now stands at 500 each year. As a result, more than 10,000 Korean nurses are expected to migrate to the United States in the next four years.

According to a report by the International Institute for Management Development (IMD), Korea scored 4.91 on a scale of 0 to 10 on the Brain Drain Index (BDI) in 2006, ranking 40<sup>th</sup> out of 61 countries. The BDI is an indicator of the intensity of a brain drain from a country, where a lower reading indicates a strongest tendency for highly-educated people to leave a country. Ten years ago, Korea scored 7.3 on the same scale, ranking 6<sup>th</sup> out of 37 countries. By contrast, India's BDI improved from 3.07 to 6.76 during the same period, while Finland saw its BDI rise from 5.1 to 8.1. Moreover, Korea's index for average brain gain, which indicates a net influx of highly trained foreigners, decreased from -1.3 to -1.4. Basically, Korea is losing domestic talent, while at the same time not doing enough to attract foreign skilled professionals.

## **Inadequate Education System Encourages Brain Drain**

The United States is not only the pole of attraction for skilled workers, but is also the home to great universities and secondary schools. The Korean education system is notorious for being inefficient and lacking a long-term policy. While the vast majority of Korean youth is receiving a high-level education, they are not necessarily prepared for the information-driven and knowledge-based economy. Korea made a multiple-choice test the most important criterion for college admission. Often high school students put in an 18-hour day, including private tutoring and school work, to prepare for the college entrance test. As students spend most of their time preparing for multiple-choice tests, the overall academic performance of high school students has worsened.

Since November 2001, when the Korean government lifted a ban on high school students over the age of 15 studying abroad, tens of thousands of Korean youngsters have headed to overseas. Korea also announced compensation packages for those hurt by the implementation of the FTA. The Korean government will provide farmers and fishermen cash subsidies for seven years covering up to 85 percent of income lost from the FTA. Farmers and fishermen driven out of the industry will be eligible for subsidies for five years. Korea will provide incentives for companies to hire displaced farmers and fisherman. Korea will also encourage the creation of private agricultural investment funds in an effort to boost investment in agriculture. For other industries, it will offer loans to businesses that lose more than 25 percent of their sales as a result of the FTA. Additionally, companies that switch industries or relocate staff will be eligible for subsidies up to 75 percent of their payroll for one year.