



## 'Brain Drain' Between Provinces May Be Good for Canada

### What is this research about?

'Brain drain' refers to the migration of highly skilled workers to more prosperous regions – a process that 'drains' one region of its talent while enriching another. It is thought that 'equalization' has played a role in 'brain drain' in Canada. Equalization is a government program that tries to address some of the fiscal disparities between provinces. Through transfer payments, equalization helps provinces that are less prosperous to provide public services to their residents, at tax rates that are similar to other provinces. But some argue that these payments may not offer provinces like Newfoundland much of an incentive to get out of their economic slump and grow their industries. As a result, highly qualified workers may feel inclined to leave Newfoundland and head to more prosperous places like Ontario, causing 'brain drain'. But is 'brain drain' really a bad thing for Canada?

### What did the researcher do?

Professor Sam Bucovetsky, Department of Economics at York University, looked at the effects of equalization programs and progressive

### What you need to know:

Equalization and progressive taxation policies, which encourage the migration of highly qualified workers within a country's regions, may actually be good for the overall country. The migration of workers from poor regions to more prosperous regions – commonly called 'brain drain' – may improve a country's economic output, provided that governments figure out how to compensate the poor regions.

tax policies on the migration of workers. Through modeling, he considered how the financial gains made by a province that is on the receiving end of 'brain drain' can be distributed among other, less prosperous regions.

### What did the researcher find?

Professor Bucovetsky found that the financial policies that drive highly qualified workers out of poorer provinces – including equalization and more progressive taxation – can actually help to concentrate them in more prosperous regions. As a result, instead of being dispersed across the country, the 'best and the brightest' become

'clustered' in a few 'hot spots,' which can make their industries more efficient. Then, through policies like equalization, the financial gains that result from this process of migration can be funneled back to the provinces that lost the workers in the first place. There are also social benefits to this process; highly qualified workers may prefer being clustered in vibrant centers, like cities, where there are more opportunities to collaborate.

### How can you use this research?

This research offers policymakers an alternative way to think about the process of 'brain drain' between provinces in Canada. It also expands our knowledge of how equalization and taxation policies effect the migration of talented workers – and how the migration of these workers may ultimately benefit the country's overall economy.

### About the Researcher

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### Citation

A number of research papers resulting from this study were published, including: Bucovetsky, S. (2003). Efficient migration and redistribution. *Journal of Public Economics*, 87(11), 2459-2474. Available online at <http://bit.ly/1fXCZaZ>

### Keywords

Migration, Brain drain, Equalization, Taxation, Fiscal policy

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