

Global Wage Differences and International Student Flows

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Brookings Trade Forum 2006: Global Labor Markets?

In this paper we exploit administrative records and new data from the New Immigrant Survey (NIS) to examine empirically the determinants of the flow of foreign-born students to the United States, the stock of U.S. foreign-born students and the number of U.S. foreign-born students who become U.S. permanent immigrants (student stayers). In particular, we test competing models that might underlie the observed migration of students seeking training in high-income countries—a model of high schooling costs (schooling shortages) in low-income countries and a model of migration by workers seeking higher-paying skill jobs. Application of both models requires that we know how skills are rewarded in countries. We show that the two models have opposite predictions with respect to how the domestic price of skill affects the outflow of students, as do investments in home-based university facilities. Information on the per capita GDP of potential sending countries, used in prior studies of the determination of immigration, is thus insufficient, although not irrelevant, to the application of the models. Thus a significant part of the paper is concerned with the estimation of world-wide, country-specific “skill prices.” To carry out this analysis, we use two data sources—information on the home-country wages of immigrants to the United States, from the NIS Pilot and information on wages within occupations and industries across countries, from the Occupational Wages around the World (OWW) database.