Human Capital, Graduate Migration and Innovation in British Regions

Wednesday, 6 August 2008
1.10pm – 2:00pm
MSB.1.02

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Abstract
With the aid of a geographical information system, our paper constructs a three stage least squares simultaneous equation model to investigate the interrelationships between the interregional flows of human capital, and the innovation dynamism of a region. In order to do this, we model the interregional migration behaviour of high quality British university graduates from university into first employment, and we relate these human capital flows to both the labour market characteristics and the knowledge characteristics of the employment regions. This is done for both all industries and for just high technology industries. Our results indicate that for England and Wales there is a two-way causality between the interregional human-capital employment-migration flows of recent university graduates and the innovation performance of regions. However, the results for Great Britain as a whole depend on whether London is included and Scotland is excluded. We find little or no support that the presence of local universities or small firms promotes regional innovation.

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