



The Economics of New Immigration to Scotland

Robert E. Wright

DEPARTMENT OF ECONOMICS

Outline of Talk

1. Introduction
2. Demographic Background
3. Macroeconomic Impacts of Labour Force Decline
4. Trends in Net Migration
5. From Where Do Immigrants Come
6. Socioeconomic Characteristics of A8 Immigrants
7. The Future of A8 Immigration
8. The Way Forward

1. Introduction

The single biggest challenge facing Scotland as we move further in the 21st century is our falling population”

Jack McConnell, First Minister, Scottish Executive, February, 2004

“The population of Scotland will grow by a quarter of a million over the next 25 years, according to the latest figures from the Registrar General. This is definitive proof that the key demographic trend in Scotland has changed direction. For most of the past 15 years, the population was being predicted to fall as the birth rate declined—a general pattern across Europe. Since 2000, immigration into Scotland has delayed this effect. Now we know the upturn in numbers is permanent...”

- The *Scotsman*, January, 2008

2. Demographic Background

RENEWAL EQUATION

$$\begin{aligned} \text{Population}(t+1) = & \text{Population}(t) + \text{Births} - \text{Deaths} \\ & + \text{Net Migration} \end{aligned}$$

- $\text{Net Migration} = \text{Immigrants} - \text{Emigrants}$

Therefore need to analyse past trends in:

- *Fertility*
- *Mortality*
- *Net-migration*



Figure 1
Total Fertility Rate
Scotland, 1951-2006

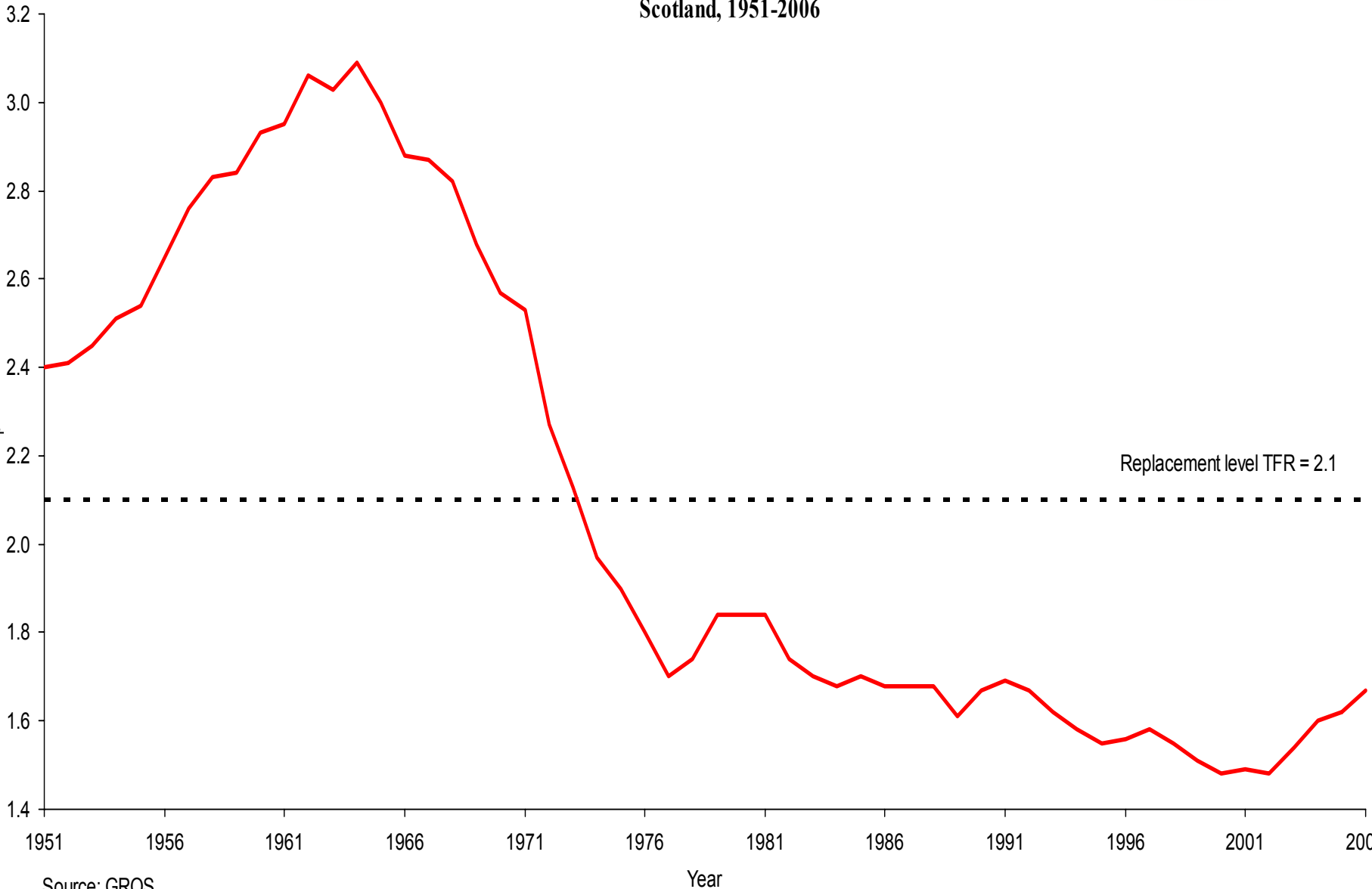


Table 1
Total Fertility Rate
EU Member-states and
Scotland
c.2006

Member-state	Rate
France	<i>2.00</i>
Ireland	<i>1.93</i>
Sweden	<i>1.85</i>
Finland	<i>1.84</i>
UK	<i>1.84</i>
Denmark	<i>1.83</i>
Netherlands	<i>1.70</i>
Scotland	<i>1.67</i>
Luxembourg	<i>1.65</i>
Belgium	<i>1.64</i>
Estonia	<i>1.55</i>
Cyprus	<i>1.47</i>
Malta	<i>1.41</i>
Austria	<i>1.40</i>
Greece	<i>1.39</i>
Spain	<i>1.38</i>
Bulgaria	<i>1.37</i>
Latvia	<i>1.35</i>
Portugal	<i>1.35</i>
Hungary	<i>1.34</i>
Czech Rep	<i>1.33</i>
Germany	<i>1.32</i>
Italy	<i>1.32</i>
Lithuania	<i>1.31</i>
Romania	<i>1.31</i>
Slovenia	<i>1.31</i>
Poland	<i>1.27</i>
Slovakia	<i>1.24</i>
EU Average	<i>1.51</i>

Source: Eurostat



Figure 2
Life Expectancy at Birth
Scotland, 1951-2006

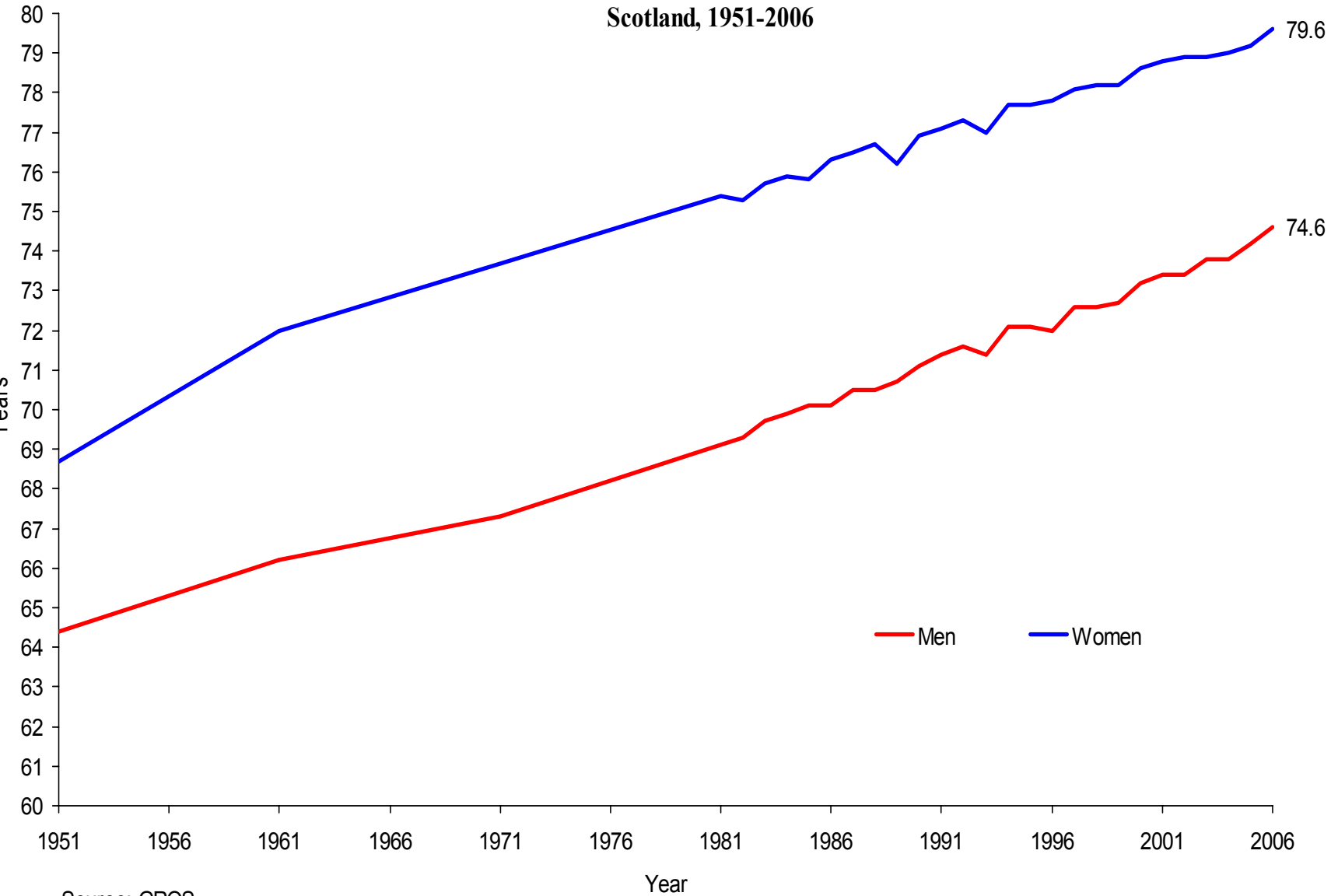


Table 2
Life Expectancy at Birth (years)
EU Member-states and Scotland
c. 2006

Member-state	Men	Member-state	Women
Cyprus	78.8	France	84.4
Sweden	78.8	Italy	83.8
Italy	77.9	Spain	83.7
Netherlands	77.7	Finland	83.1
Ireland	77.3	Sweden	83.1
France	77.3	Austria	82.8
Germany	77.2	Germany	82.4
Greece	77.2	Cyprus	82.4
Austria	77.2	Belgium	82.3
Spain	77.0	Portugal	82.3
Malta	77.0	Ireland	82.1
UK	76.9	Netherlands	82.0
Luxembourg	76.8	Slovenia	82.0
Belgium	76.6	Greece	81.9
Denmark	76.1	Luxembourg	81.9
Finland	75.9	Malta	81.9
Portugal	75.5	UK	81.3
Scotland	74.6	Denmark	80.7
Slovenia	74.5	Czech Republic	79.9
Czech Republic	73.5	Poland	79.7
Poland	70.9	Scotland	79.6
Slovakia	70.4	Estonia	78.6
Bulgaria	69.2	Slovakia	78.4
Hungary	69.2	Hungary	77.8
Romania	69.2	Lithuania	77.0
Estonia	67.4	Bulgaria	76.3
Latvia	65.4	Latvia	76.3
Lithuania	65.3	Romania	76.2
EU Average	74.3		80.9

Source: Eurostat

The Future?

Assumptions:

1. **Below replacement level fertility**
2. **Declining mortality** (e.g. increasing life expectancy)
3. **Zero net-migration**

POPULATION PROJECTIONS

If fertility remains constant and below the replacement level, and mortality continues to gradually decline, and net-migration returns to zero then in the future:

- 1. Population will decline from its current level of about 5 million**
- 2. Population ageing will accelerate**
- 3. The population aged 16-64 will plummet**



Figure 3
Total Population
Scotland, 1951-2051
(Zero Net-migration Assumption)

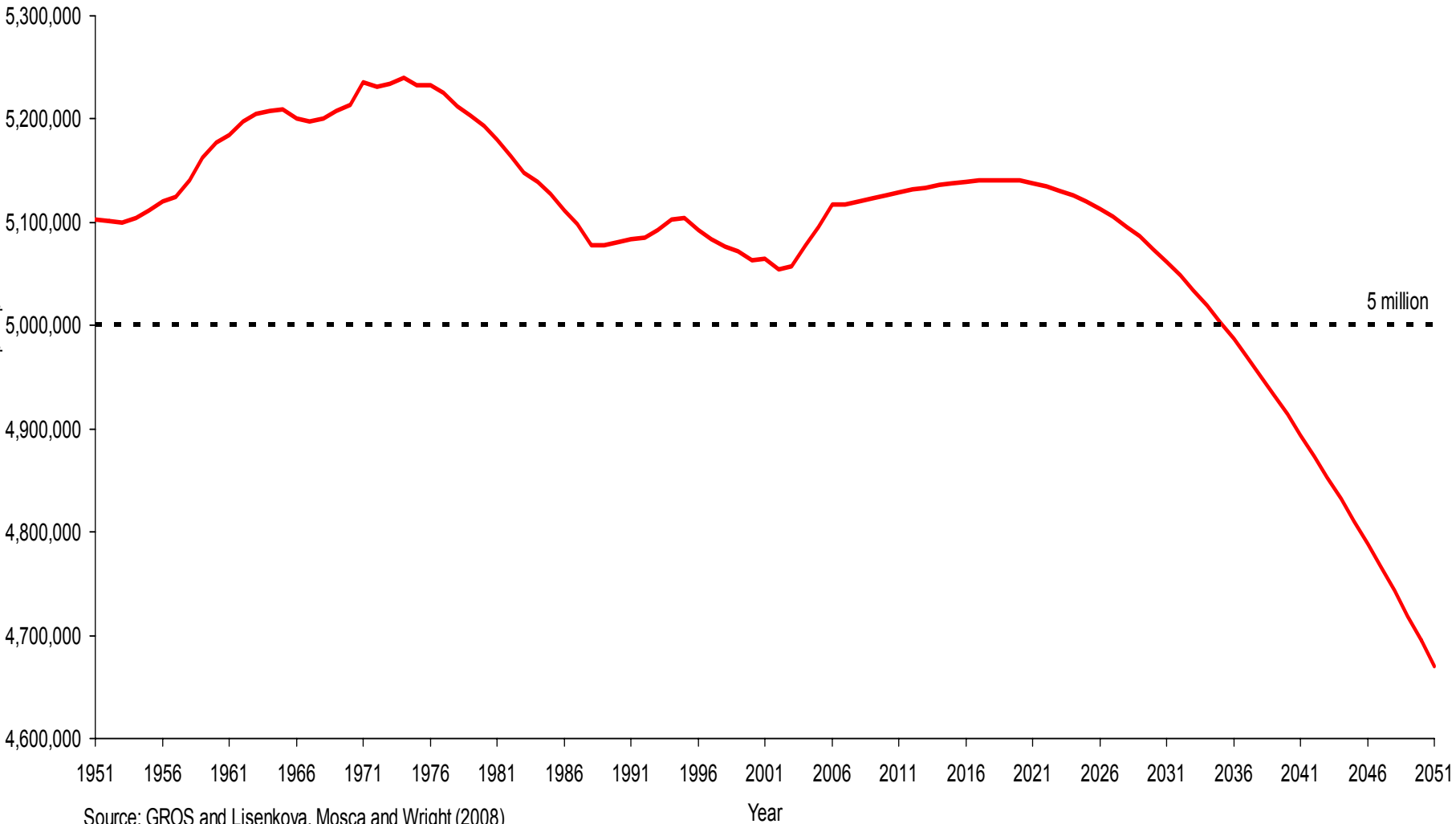
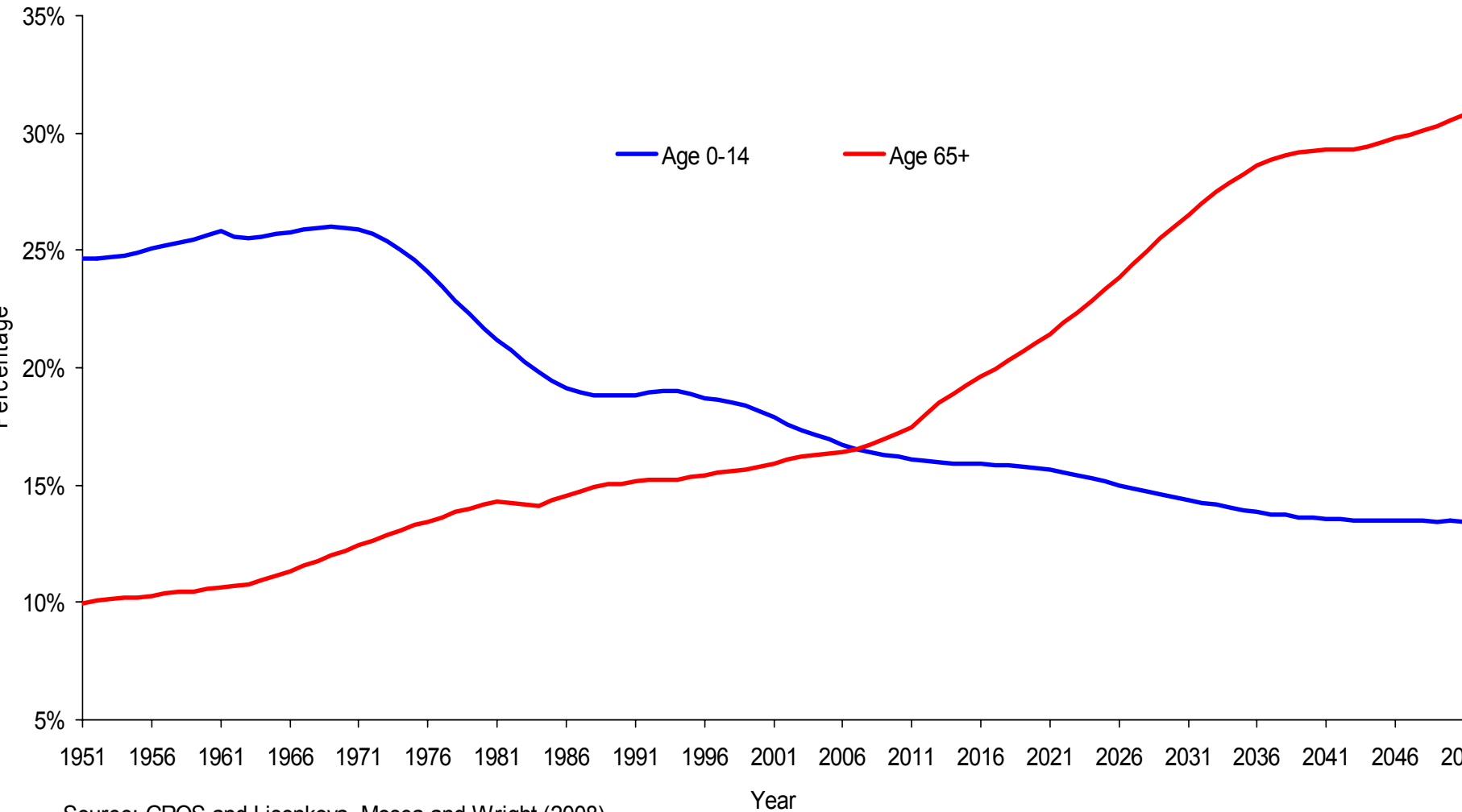




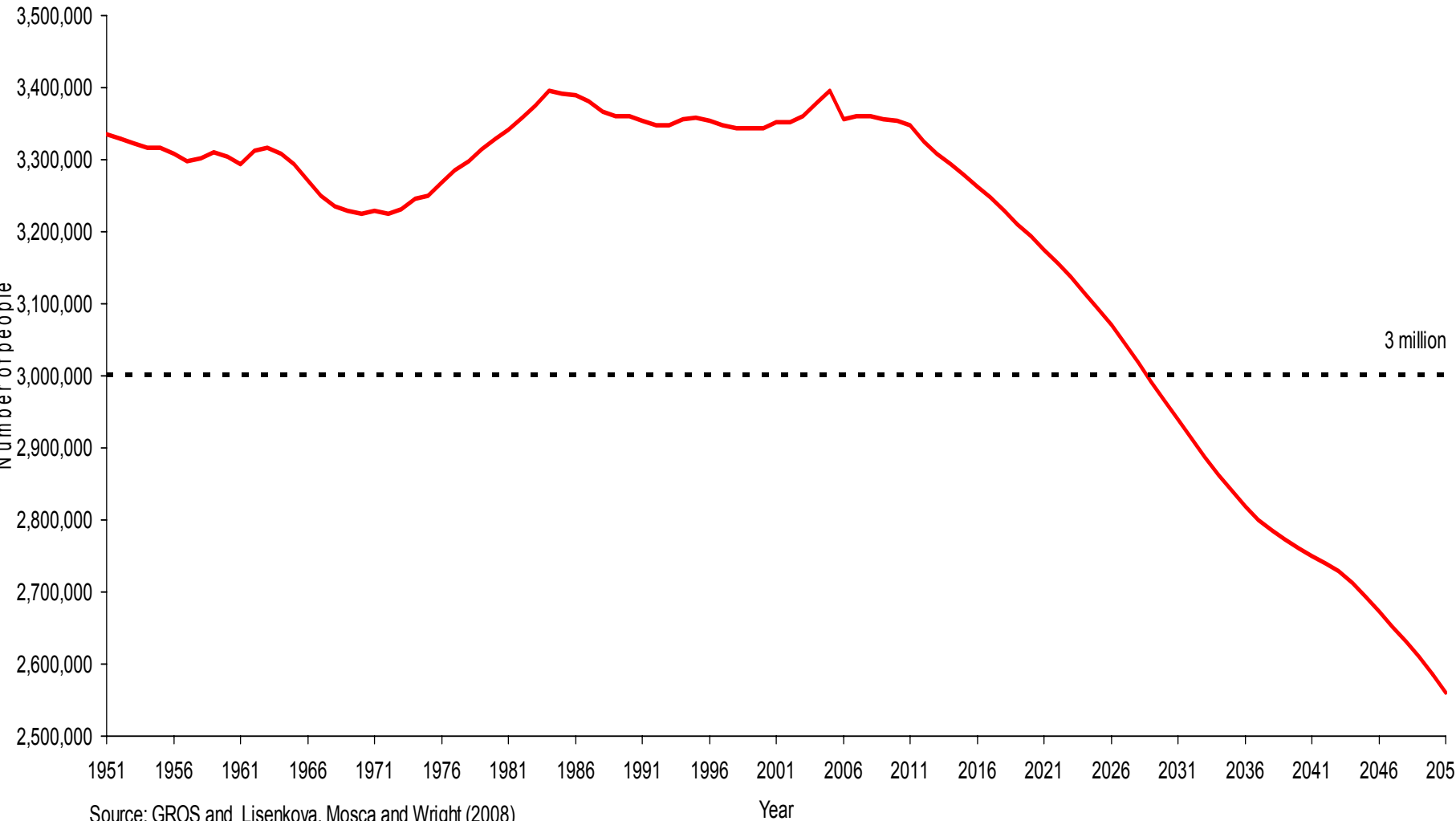
Figure 4
Percentage of Population Aged 0-14 and 65+
Scotland, 1951-2051
(Zero Net-migration)



Source: GROS and Lisenkova, Mosca and Wright (2008)



Figure 5
Population Aged 16-64
Scotland, 1951-2051
(Zero Net-migration Assumption)



Source: GROS and Lisenkova, Mosca and Wright (2008)

Year

3. Macroeconomic Impacts of Labour Force Decline

Labour force will decline in size

Decrease in the potential supply of labour

A smaller pool of workers from which employers will be able to select from

General agreement that “shrinking labour supply” is a problem

Upwards pressure on wages which leads to lower competitiveness

Project: “*The Macroeconomic Impacts of Demographic Change in Scotland*”

Funding: Joint Initiative between Economic and Social Research Council and Scottish Executive concerned with Scottish demography

Investigators: Peter McGregor, Kim Swales, Robert Wright

Research Fellows: Kaya Lisenkova, Nikos Pappas

Karen Turner

AMOS “A Micro-macro Model of the Scottish Economy”

A mathematical representation or simulation model of the way in which it is believed that the Scottish economy works

Has been used widely in the past to examine a wide range of policies.



Table 3
Simulated Macroeconomic Effects of Zero Net-Migration
Scotland, 2006-2051

Variable	2011	2021	2031	2041	2051
Total population	<i>0.2%</i>	<i>0.4%</i>	<i>-1.1%</i>	<i>-4.4%</i>	<i>-8.8%</i>
Working Age Population	<i>-0.3%</i>	<i>-5.5%</i>	<i>-12.8%</i>	<i>-18.5%</i>	<i>-24.3%</i>
Gross domestic product	<i>-0.9%</i>	<i>-3.4%</i>	<i>-6.4%</i>	<i>-9.8%</i>	<i>-13.4%</i>
Consumption	<i>-0.6%</i>	<i>-2.0%</i>	<i>-3.89%</i>	<i>-6.2%</i>	<i>-8.8%</i>
Employment	<i>-1.1%</i>	<i>-3.7%</i>	<i>-6.9%</i>	<i>-10.5%</i>	<i>-14.4%</i>
Competitiveness	<i>-0.5%</i>	<i>-1.6%</i>	<i>-2.8%</i>	<i>-4.1%</i>	<i>-5.3%</i>
Real wage	<i>1.2%</i>	<i>3.7%</i>	<i>6.1%</i>	<i>8.4%</i>	<i>10.8%</i>
GDP per head	<i>-1.12%</i>	<i>-3.7%</i>	<i>-5.3%</i>	<i>-5.6%</i>	<i>-5.1%</i>

Source: Lisenkova et al. (2008b)

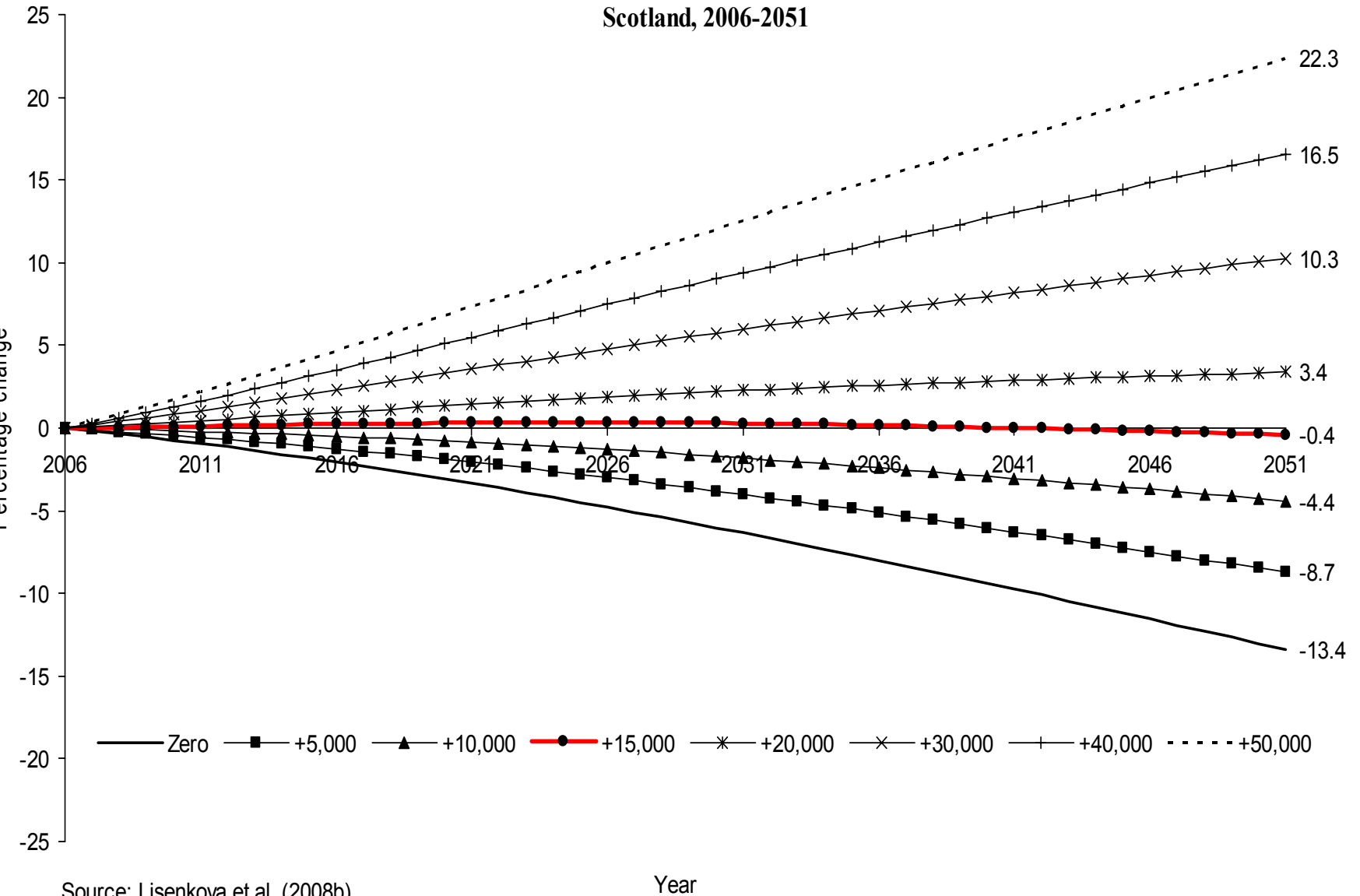
Table 4
Simulated Sector GDP Loss by 2051 of Zero
Net-Migration, Scotland, 2051

	Sector	% Change
1	Public administration	-8.9
2	Social work	-10.9
3	Other manufacturing	-11.2
4	Sewage and refuse disposal	-11.7
5	Health	-12.1
6	Education	-12.6
7	Manufacturing: textiles and clothing	-13.1
8	Manufacturing: food and food processing	-13.7
9	Hotels and restaurants	-13.7
10	Banking/financial Services	-14.0
11	Mfr- chemicals metals and non metals	-14.0
12	Agriculture	-14.0
13	Recreational services	-14.6
14	Wholesale distribution	-15.3
15	Mining and quarrying	-15.4
16	Electricity	-16.0
17	Gas distribution	-16.1
18	Other services	-16.2
19	Communications	-16.2
20	Transport	-16.4
21	Water supply	-16.4
22	Research and development	-16.8
23	Forestry and fishing	-17.2
24	Legal accountancy/other business activities	-17.4
25	Construction	-20.0

Source: Lisenkova et al. (2008b)



Figure 6
Output (GDP) Change with Different Net-migration Assumptions
Scotland, 2006-2051



4. Trends in Net Migration

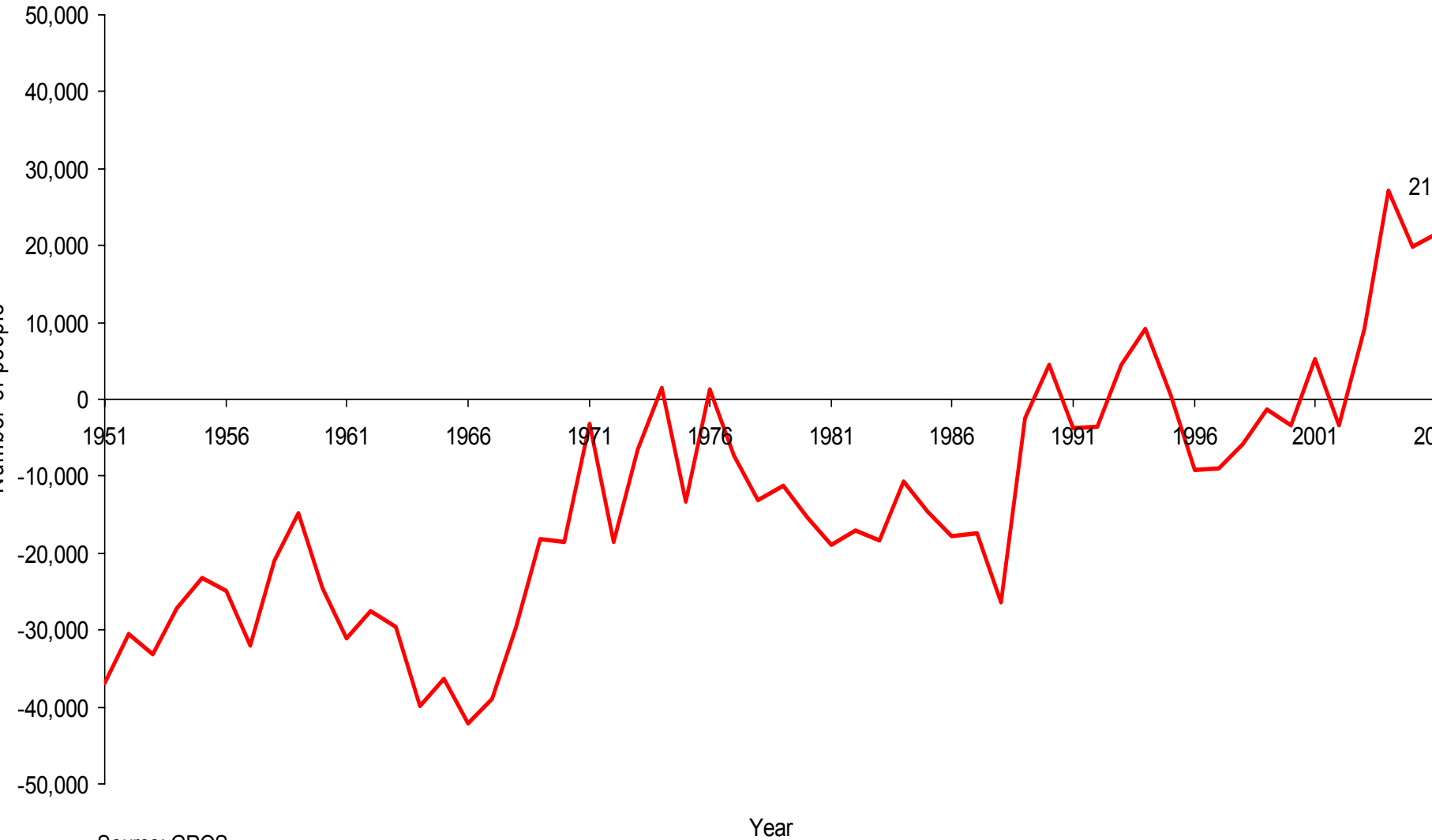
Scotland

United Kingdom

Yes, they are related!



Figure 7
Net-migration
Scotland, 1951-2006



Source: GROS



Figure 8
Net Migration
UK, 1964-2006

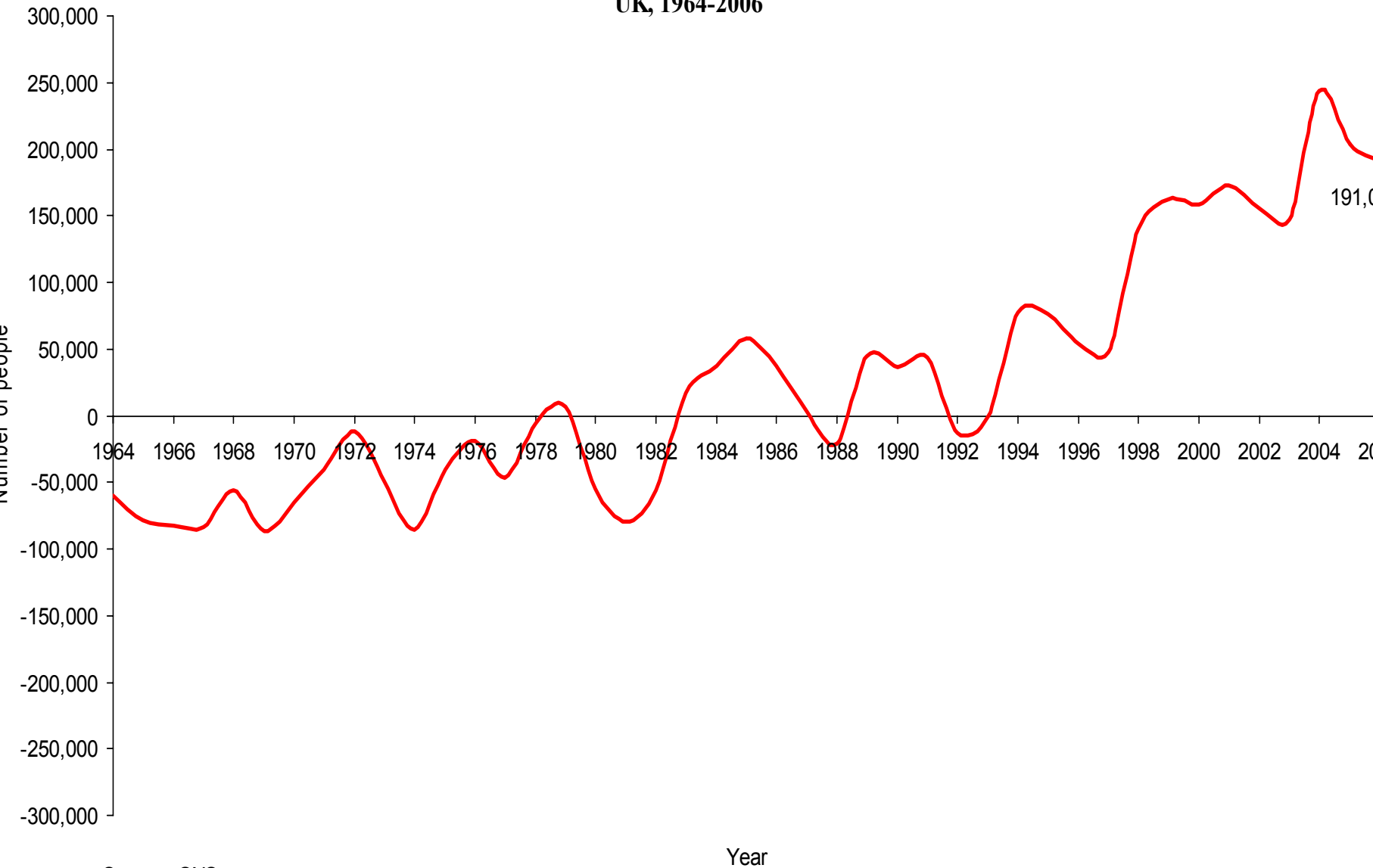




Figure 9
Net Migration Rates
Scotland and UK, 1964-2006
(per 1,000 population)

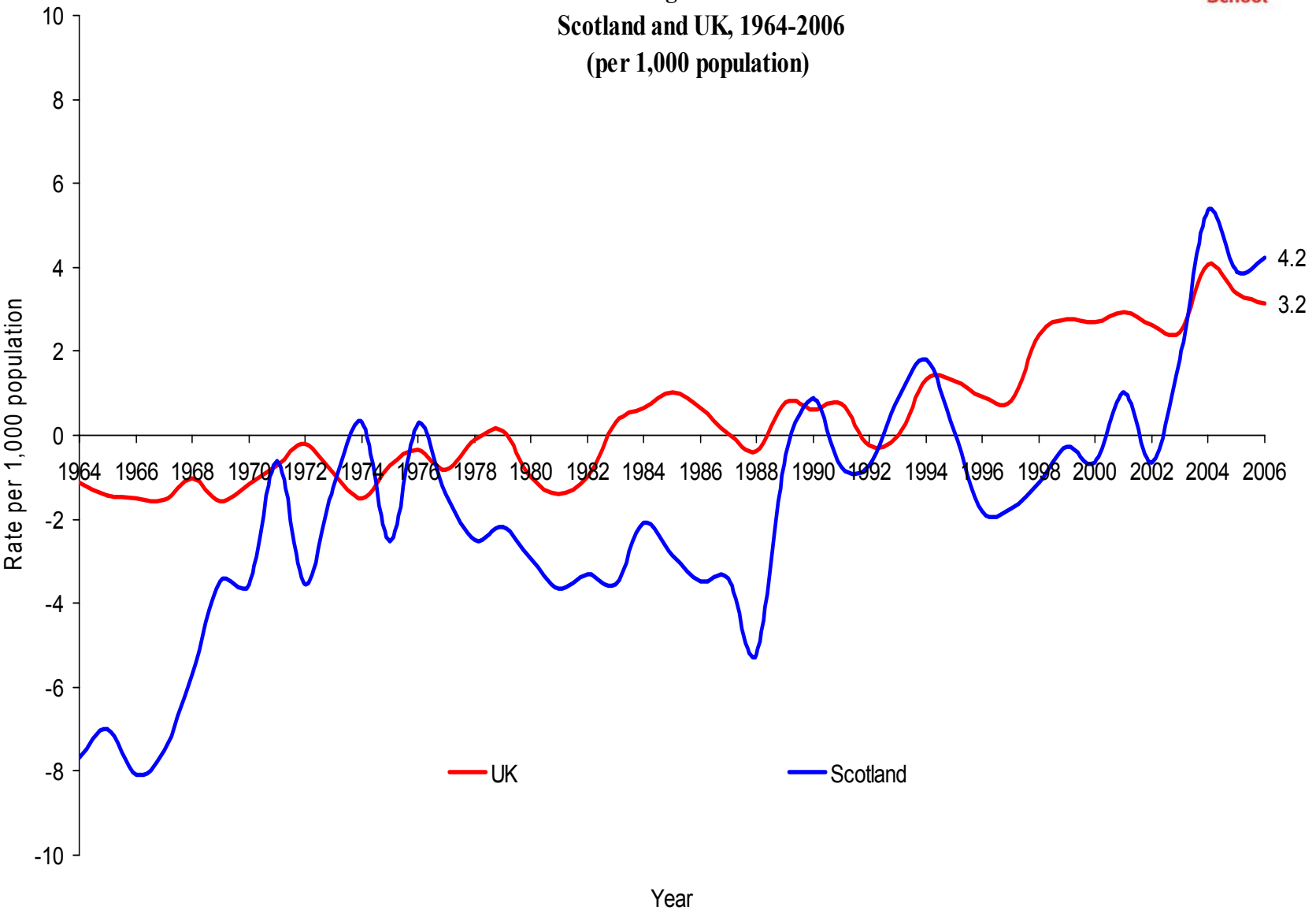




Figure 10
Immigration and Emigration
UK, 1964-2006

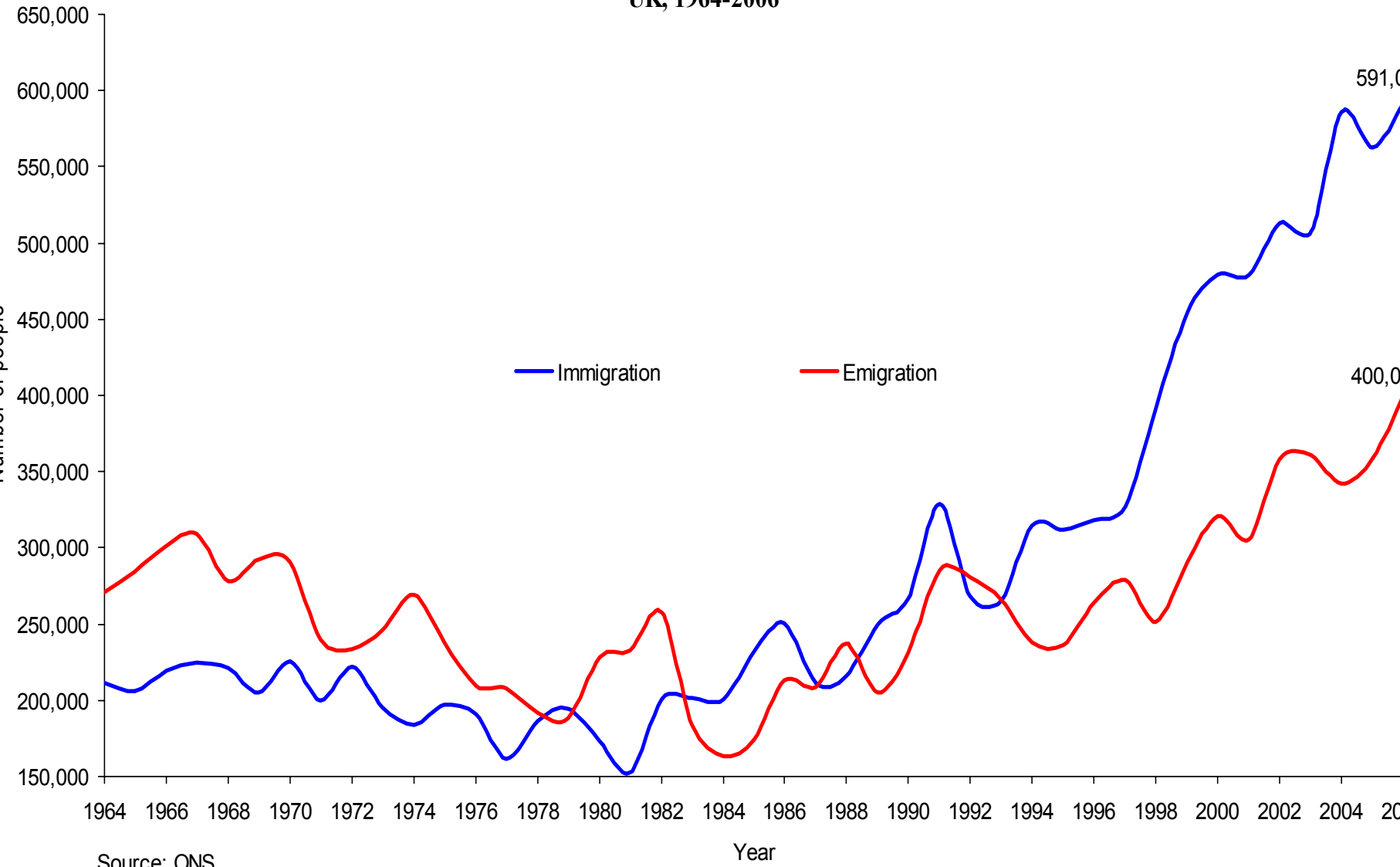


Table 5
Immigration, Emigration and Net-migration
Scotland, 2003-2006

	<u>Immigration</u>			<u>Emigration</u>			<u>Net migration</u>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Period:	UK	Abroad	Total (2)+(3)	UK	Abroad	Total (4)+(5)	(3)-(6)
Mid-2003 to mid-2004	<i>61,900</i>	<i>36,300</i>	<i>98,200</i>	<i>46,400</i>	<i>24,600</i>	<i>71,000</i>	<i>+27,200</i>
Mid-2004 to mid-2005	<i>57,300</i>	<i>35,400</i>	<i>92,700</i>	<i>44,800</i>	<i>28,100</i>	<i>72,900</i>	<i>+19,800</i>
Mid-2005 to mid-2006	<i>53,300</i>	<i>42,200</i>	<i>95,500</i>	<i>44,400</i>	<i>29,500</i>	<i>73,900</i>	<i>+21,600</i>

Source: GROS

5. From Where Do Immigrants Come?

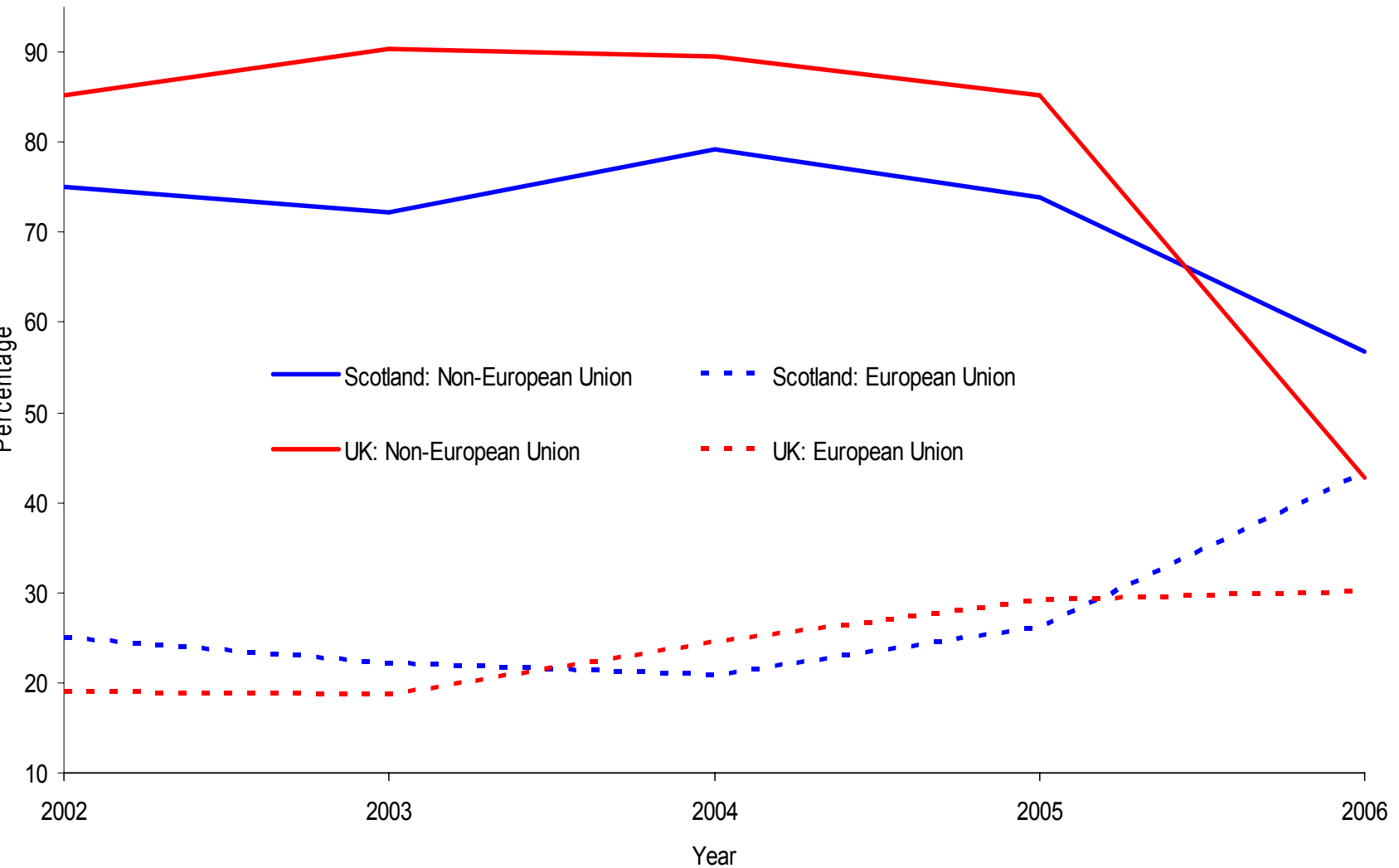
- 15 per cent of immigrants to the UK are British Citizens

Of the remainder:

European Union	= 30 per cent
Commonwealth	= 43 per cent
Other countries	= 27 per cent



Figure 11
Citizenship of "Non-British" Immigrants to Scotland and the UK
2002-2006 (Percentage)



In May 1, 2004 ten countries joined the EU

Cyprus, Estonia, Latvia, Lithuania, **Malta**, Poland, Czech Republic, Slovakia, Hungary and Slovenia

The eight former-communist Eastern European countries as a group are often referred to as the “Accession eight” countries (or “A8” countries for short).

Only Ireland and Sweden, allowed unrestricted movement of A8 nationals for the purpose of employment

In the UK, A8 nationals are allowed to work but in order to be legally entitled to do so, they must register under the so-called *Workers Registration Scheme* (WRS)

Table 6
A8 Worker Registrations
Scotland and UK, 2004-2007

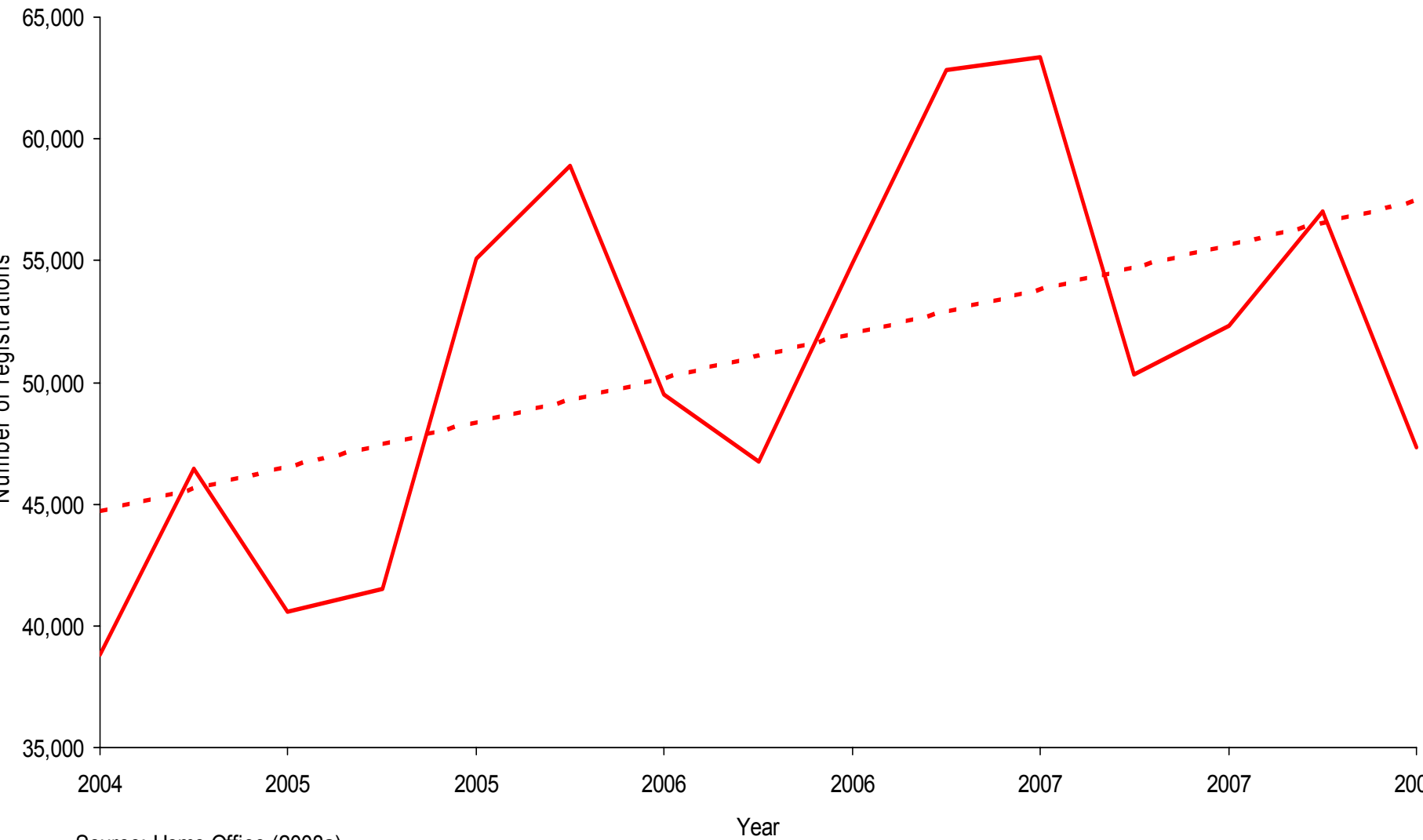
Year	UK	Scotland	London and South-east	% Total	
				Scotland	London and South-east
2004	<i>134,550</i>	<i>8,150</i>	<i>36,670</i>	<i>6.5%</i>	<i>29.1%</i>
2005	<i>212,325</i>	<i>15,895</i>	<i>37,130</i>	<i>7.8%</i>	<i>18.1%</i>
2006	<i>234,725</i>	<i>19,050</i>	<i>34,820</i>	<i>8.4%</i>	<i>15.3%</i>
2007	<i>214,510</i>	<i>19,345</i>	<i>33,640</i>	<i>9.3%</i>	<i>16.3%</i>
Total	<i>765,690</i>	<i>62,440</i>	<i>142,260</i>	<i>8.2%</i>	<i>18.6%</i>

Notes: Total UK population share in Scotland (2004-2006) c. 8.5%; and in London and South East (2004-2006) c. 25%

Source: Home Office (2008a)



Figure 12
Number of A8 Worker Registrations
UK, 2004(Q2) - 2007(Q4)



Source: Home Office (2008a)



Figure 13
Number of A8 Worker Registrations
Scotland 2004(Q2)-2007(Q4)

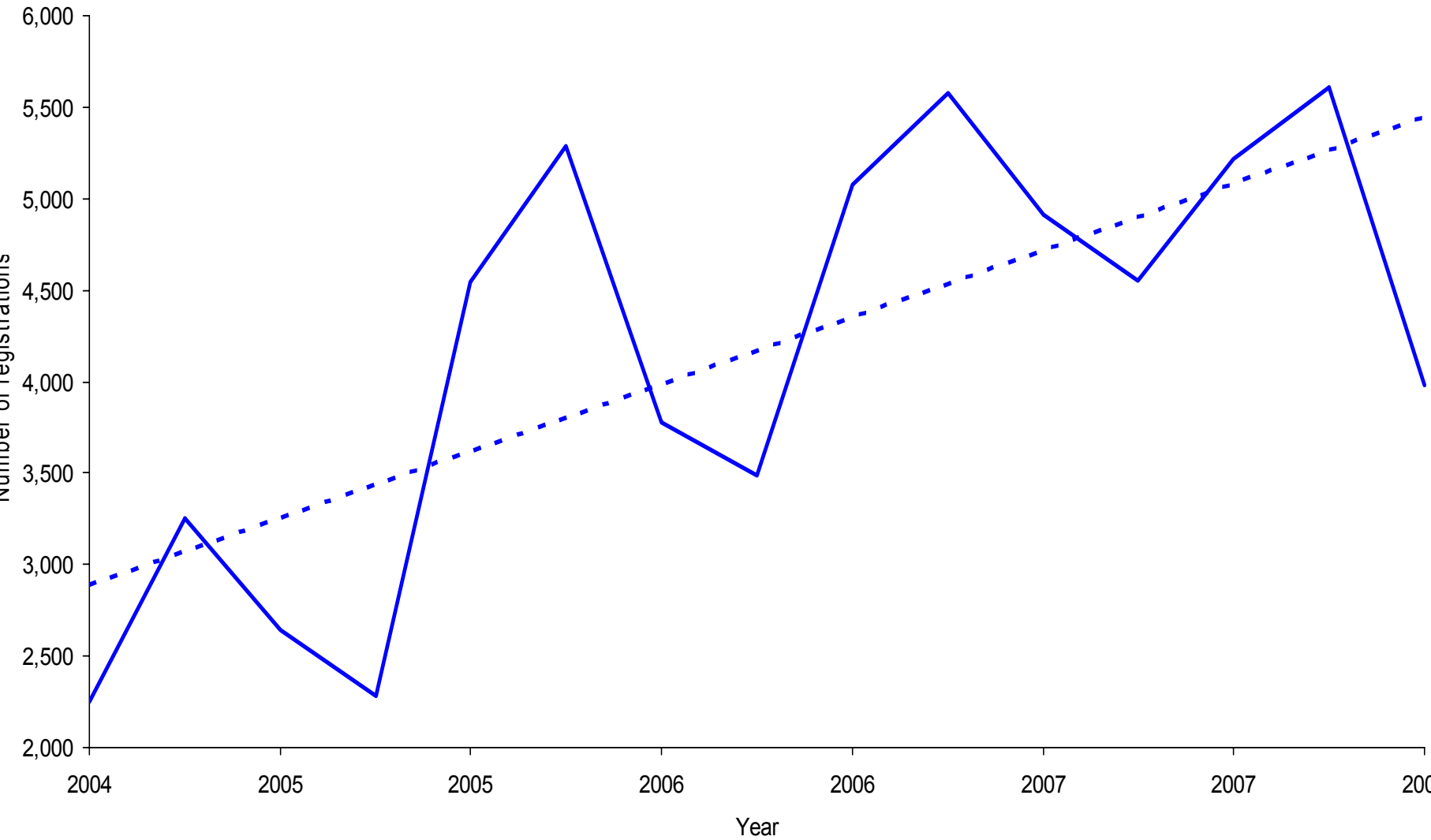
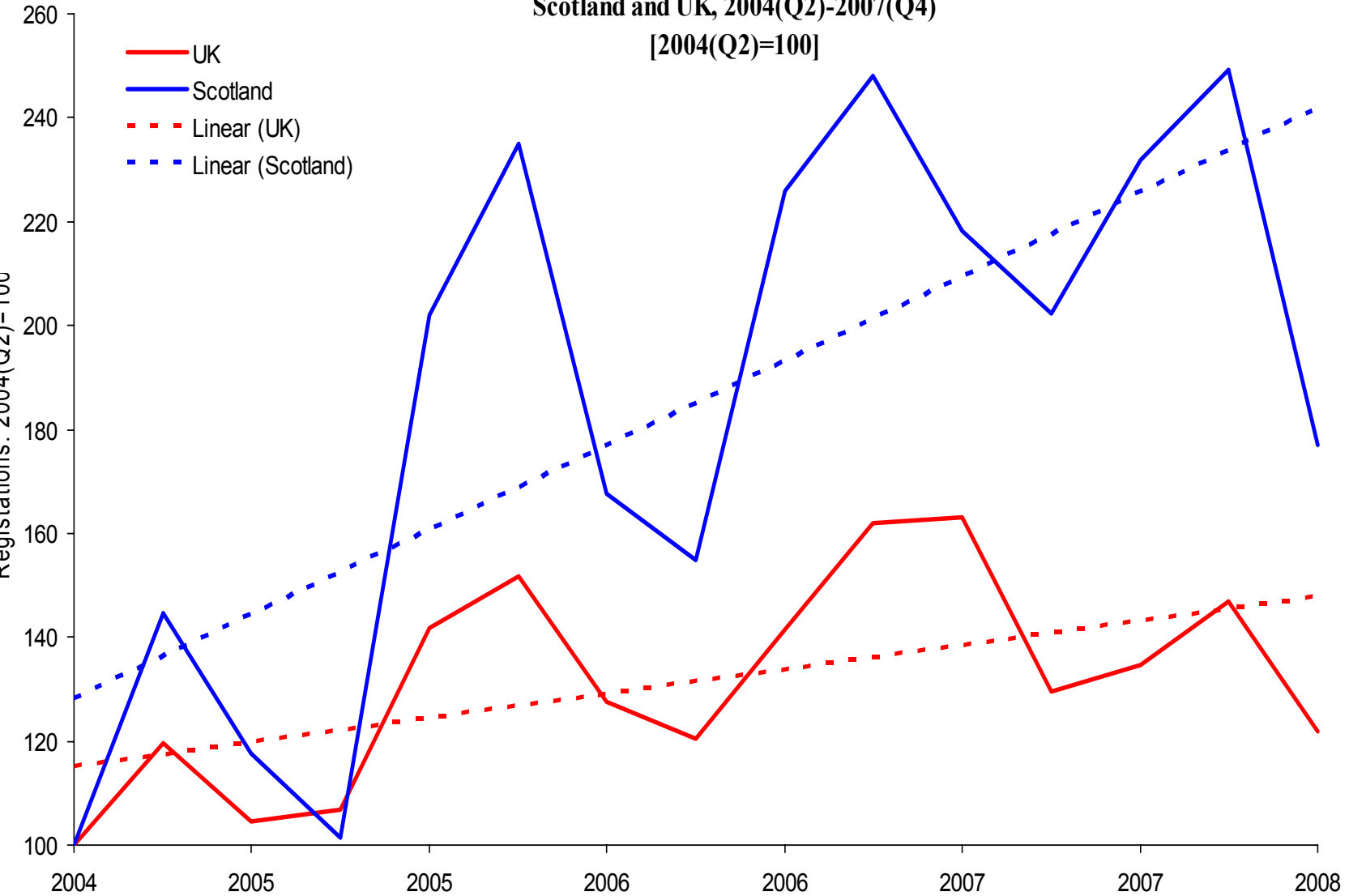




Figure 14
Number of A8 Worker Registrations
Scotland and UK, 2004(Q2)-2007(Q4)
[2004(Q2)=100]



5. Socio-economic Characteristics of A8 Immigrants

Total population of EU-10 countries is about 74 million (not too different to Germany)

Population of Poland is about 38 million (about half of the total)

Two-thirds of applications to the WRS were from Poles

10 per cent of the applications from Lithuanians and Slovaks

Only 695 applications from Slovenians

May, 2004-December, 2007:

- 82 per cent of registered workers aged between 19 and 34
- 54 per cent male
- 7 per cent have dependents, mostly children, average is 1.5
- Top ten occupations (next slide): two-thirds are low-skill
- January-December, 2007:
 - 72 per cent earned £4.50-£5.99 per hour
 - 22 per cent earned £6.00-£7.99 per hour
 - Minimum wage: £4.45 for workers aged 18-21
 - £5.35 for workers aged 22+
- January-December, 2007: 56 per cent in temporary employment

The majority are in “low-skill, low-pay” jobs

Table 7
“Top Ten” Occupations in which A8 Registered Workers are Employed
July, 2004 – December, 2007

Rank	Occupation	Share
1	Process operative/other factory worker	27%
2	Warehouse operative	8%
3	Kitchen and catering assistants	6%
4	Packer	6%
5	Cleaner,/domestic staff	5%
6	Waiter/waitress	4%
7	Farm worker/hand	4%
8	Care assistants and home carers	3%
9	Labourer, building	3%
10	Maid/room attendant (hotel)	3%
1-10	Sub total	69%
	Other/not stated	31%
	Total	100%

Source: Home Office (2008a)

WRS collects information on “intended length of stay:

January-December, 2007:

- 59 per cent reported “less than three months”
- 8 per cent reported “more than two years”
- 25 percent reported “unsure”

Small Scale Surveys:

“A8 Nationals in Scotland” study (Glasgow City Council, 2007)

“Migrant Workers in Fife” (Fife Council, 2008)

- Find a higher commitment to stay than suggested by WRS

7. The Future of A8 Immigration

Will these large flows to Scotland from A8 countries continue indefinitely into the future.

I believe this will **not** be case for three reasons:

- 1) Relaxation of labour market restrictions in other EU member-states
- 2) A8 economies are growing rapidly
- 3) Not an unlimited supply of potential migrants

Table 8
Labour Market Restrictions on A8 Nationals
in EU15 Member-states as of February, 2008

	Member-state	Employment restrictions?
1	Ireland	No restrictions
2	Sweden	No restrictions
3	UK	No restrictions (except WRS)
4	Spain	Lifted March, 2006
5	Finland	Lifted April, 2006
6	Portugal	Lifted May, 2006
7	Greece	Lifted May, 2006
8	Italy	Lifted July, 2006
9	Netherlands	Lifted May, 2007
10	Luxembourg	Lifted November, 2007
11	Austria	“Restricted” work permit
12	Belgium	Work permit
13	France	Work/residence permit
14	Germany	Work permit
15	Denmark	Work/residence permit

Source: EURES (2008)

Table 9
Real GDP Growth Rates
A8 Countries
Annual Average, 1998-2007

Member-state	Growth
Czech Republic	2.9%
Estonia	6.8%
Hungary	4.0%
Latvia	6.8%
Lithuania	5.7%
Poland	3.5%
Slovakia	3.9%
Slovenia	3.7%
EU-15	2.1%

Source: Eurostat

Table 10
Population Size
(Thousands)
A8 Countries, 2005 and 2050

Member-state	2005	2050	% change 2005-2050
Czech Republic	<i>10,191</i>	<i>8,825</i>	<i>-13.4%</i>
Estonia	<i>1,344</i>	<i>1,130</i>	<i>-15.9%</i>
Hungary	<i>10,085</i>	<i>8,461</i>	<i>-16.1%</i>
Latvia	<i>2,302</i>	<i>1,769</i>	<i>-23.2%</i>
Lithuania	<i>3,425</i>	<i>2,654</i>	<i>-22.5%</i>
Poland	<i>38,196</i>	<i>30,259</i>	<i>-20.8%</i>
Slovakia	<i>5,387</i>	<i>4,664</i>	<i>-13.4%</i>
Slovenia	<i>1,999</i>	<i>1,695</i>	<i>-15.2%</i>
All A8	<i>72,929</i>	<i>59,457</i>	<i>-18.5%</i>

Source: United Nations (2007)

Table 11
Population Aged 20-64
(Thousands)
A8 Countries, 2005 and 2050

Member-state	2005	2050	% change 2005-2050
Czech Republic	6,595	4,560	-30.9%
Estonia	808	6,12	-24.3%
Hungary	6,333	4,532	-28.4%
Latvia	1,399	956	-31.7%
Lithuania	2,051	1,462	-28.7%
Poland	23,987	15,860	-33.9%
Slovakia	3,445	2,494	-27.6%
Slovenia	1,279	855	-33.2%
All A8	45,897	30,719	-33.1%

Source: United Nations (2007)

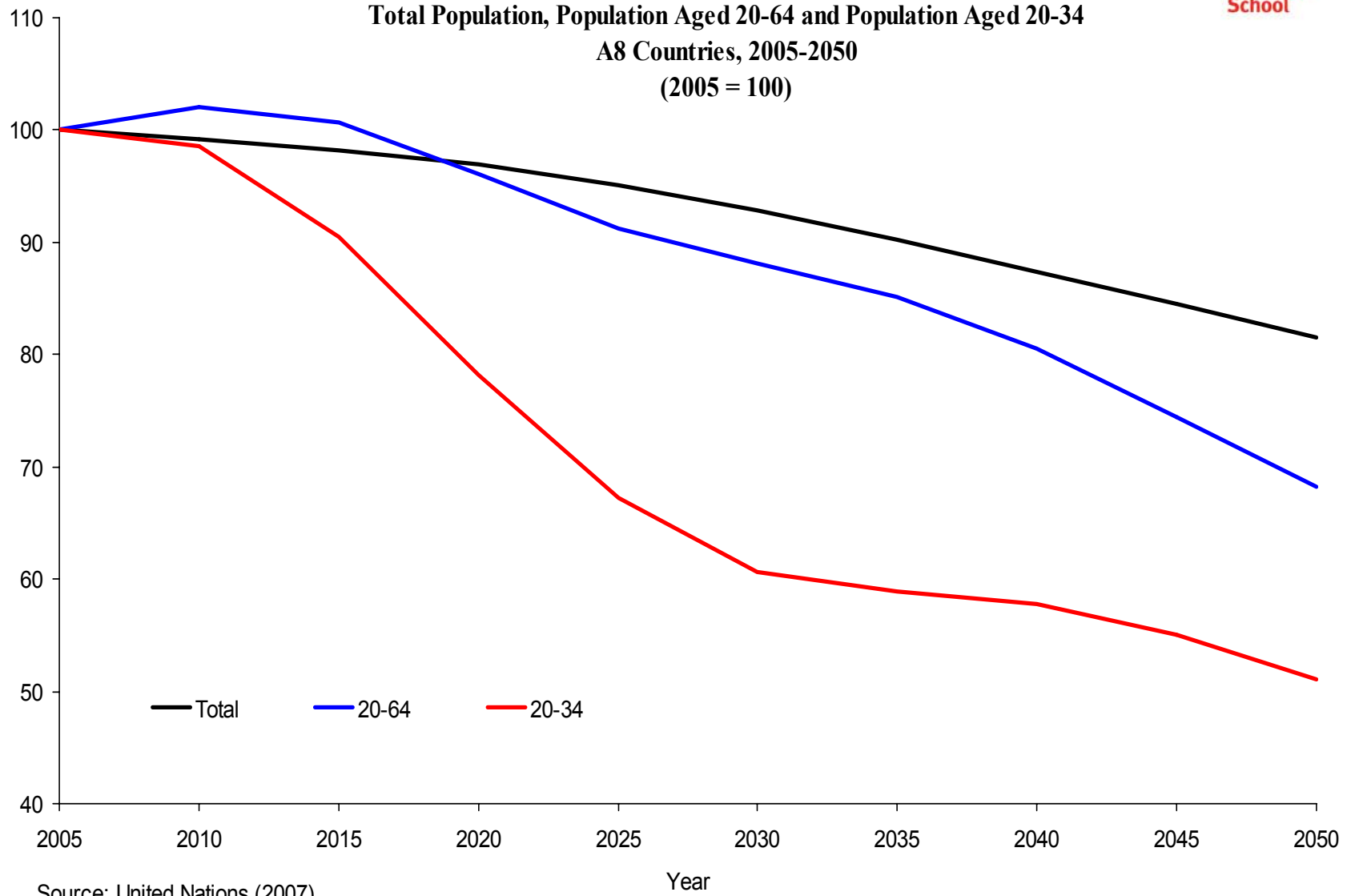
Table 12
Population Aged 20-34
(Thousands)
A8 Countries, 2005 and 2050

Member-state	2005	2050	% change 2005-2050
Czech Republic	<i>2,409</i>	<i>1,278</i>	<i>-46.9%</i>
Estonia	<i>290</i>	<i>186</i>	<i>-35.9%</i>
Hungary	<i>2,306</i>	<i>1,326</i>	<i>-42.5%</i>
Latvia	<i>496</i>	<i>280</i>	<i>-43.5%</i>
Lithuania	<i>721</i>	<i>416</i>	<i>-42.3%</i>
Poland	<i>9,124</i>	<i>4,340</i>	<i>-52.4%</i>
Slovakia	<i>1,344</i>	<i>691</i>	<i>-48.6%</i>
Slovenia	<i>439</i>	<i>239</i>	<i>-45.6%</i>
All A8	<i>17,129</i>	<i>8,756</i>	<i>-48.9%</i>

Source: United Nations (2007)



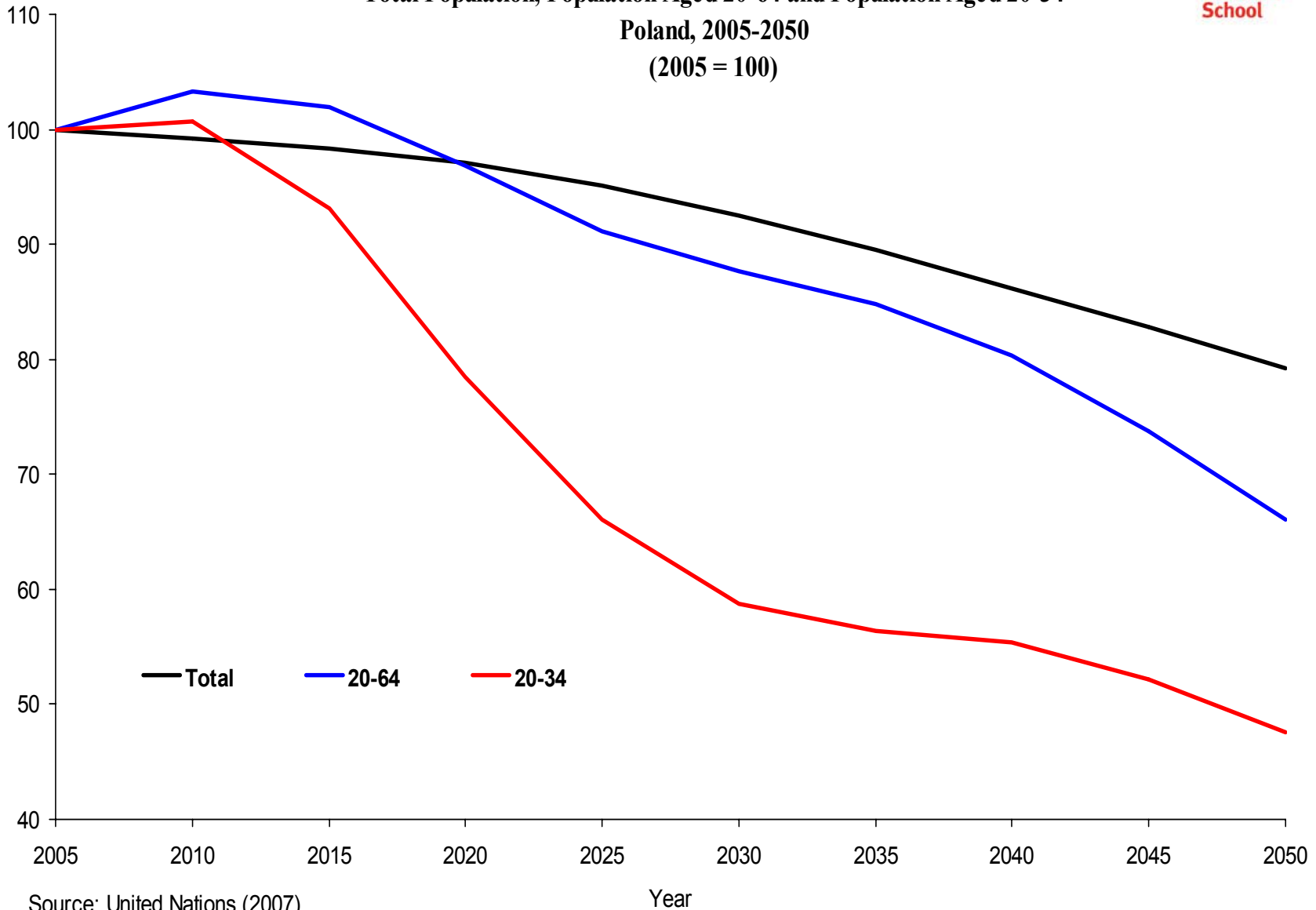
Figure 15
Total Population, Population Aged 20-64 and Population Aged 20-34
A8 Countries, 2005-2050
(2005 = 100)



Source: United Nations (2007)



Figure 16
Total Population, Population Aged 20-64 and Population Aged 20-34
Poland, 2005-2050
(2005 = 100)



Source: United Nations (2007)

8) The Way Forward?

- In February 2005, the then Home Secretary Charles Clarke outlined a “five year plan” aimed at introducing a “Points-based Immigration System” (PBS) for the UK
- Similar to the system introduced in Canada in 1967 and copied by Australia in 1973
- Applicants are allotted points for possessing human capital characteristics that make them more employable, such as education, technical skills, work experience, knowledge of the English language, etc.
- Need to achieve some minimum number of points to be eligible to immigrate
- The UK Points-based system” (PBS) will eventually replace the system that includes over 80 ways to immigrate to the UK (mainly work permit based)

Table 13
Summary of Structure of the UK Points-based Immigration System (PBS)

Tier	Statement of intent	Applications open
Tier 1: General	7 December 2007	From 29 February 2008
Tier 1: General (India)	7 December 2007	From April 2008
Tier 1: General (worldwide)	7 December 2007	In the summer of 2008
Tier 1: Investors	7 December 2007	In the summer of 2008
Tier 1: Entrepreneurs	7 December 2007	In the summer of 2008
Tier 1: Post-study	7 December 2007	In the summer of 2008
Sponsor registration	22 November 2007	In the autumn of 2008
Tier 2: Skilled workers with a job offer	Due March 2008	In the autumn of 2008
Tier 3: Limited numbers of low skilled workers needed to fill temporary labour shortages	This tier is currently suspended	
Tier 4: Students	Due March 2008	In the spring of 2009
Tier 5: Youth mobility and temporary workers	Due March 2008	In the autumn of 2008

Source: Home Office Border and Immigration Agency

Table 14

Illustrative Employment Categories Under the “Old”UK Immigration System

	Employment Category
1	Highly Skilled Migrant Programme
2	Au pairs
3	Business persons
4	Domestic workers
5	Film crew on location
6	Gap year
7	Innovators
8	Japan: Youth Exchange Scheme
9	Overseas government employees
10	Overseas qualified doctors taking the performance and linguistic assessments board test
11	Representatives of overseas media organisations
12	Sectors Based Scheme
13	Sportspeople
14	Worker Registration Scheme
15	Work permits
16	Bulgarian and Romanian nationals
17	Clinical attachments and dental observer posts
18	Entertainers
19	Fresh Talent: Working in Scotland
20	International Graduates Scheme
21	Investors
22	Ministers of religion, missionaries and members of religious orders
23	Overseas qualified nurses and midwives
24	Postgraduate doctors and dentist
25	Seasonal Agricultural Workers Scheme
26	Sole representatives of overseas firms
27	Voluntary workers
28	Working holidaymakers

Source: Home Office Border and Immigration Agency

Migration Advisory Committee

Established, December 7, 2007

Members:

- *David Metcalf*, LSE (Chair)
- *Martin Ruhs*, Oxford
- *Jonathan Wadsworth*, Royal Holloway
- *Diane Coyle*, Consultant
- *Robert Wilson*, Warwick
- *Mike Campbell*, Sector Skills Development Agency (ex-officio)

“The Migration Advisory Committee (MAC) will provide independent and evidence-based advice to government on specific sectors and occupations in the labour market where shortages exist which can sensibly be filled by migration. The Government may, from time to time, ask the MAC to advise on other matters relating to migration”

Assist in compiling “*National Shortage Occupation List*”

Is 75 points a lot?

Hard to say. No data yet on applicants. System is not fully up-and-running

Minimum number of points needed can be changed

Increasing the minimum number of points will lower immigration to the UK—and Scotland

Decreasing the minimum number of points will increase immigration to the UK—and Scotland

Westminster is committed to lowering immigration to the United Kingdom

Policy dilemma

- How does one increase immigration to Scotland (as the Scottish Government appears to want) and at the same time reduce immigration to the United Kingdom (as UK Government appears to want)?
- Easy

The PBS is a UK-wide system

Managing the process of immigration is a “reserved power”

People immigrate to the United Kingdom

They are allocated a visa to reside in the United Kingdom

People immigrate to a “country” not a region but reside in a “region”

In the UK, there is no “requirement” to live in a particular region

There is nothing in UK immigration “policy” that attracts them to Scotland (or Wales or any other “region”)

- To build in regionality follow the lead of Canada:

(1) *“Provincial Nominee Programmes”*

-- lower thresholds and/or bonus points

(2) *“Canada-Quebec Accord”*

-- devolved responsibility for immigration

To do this, at the bare minimum:

(1) Issue visas that include a residence requirement for some minimum period of time i.e. a tied work permit

(2) Set targets for the UK and for Scotland (and other regions)

Effectively means devolving some responsibility for immigration to the Scottish Parliament

Table 15
Maximum Points
Canada and Quebec Immigration Systems

<u>Characteristic</u>	<u>Canada</u>	<u>Quebec</u>
Education	25	11
Employment Experience	21	10
Arranged Employment	10	15
Age	10	10
Language:	24	24
English	16 (8)	6
French	8 (16)	18
Adaptability	10	10
Total	100	80

9) Conclusions

- The PBS is an important policy development that needs to be developed further to take into consideration regional differences
- Immigration from A8 countries is not a long-run solution.
- Bulgaria and Romania joined the EU (c 30 million). Are not allowed free access to the UK labour market. In the period January-December, 2007, 2,775 work permits were approved. 225 of these were for jobs in Scotland. Application rate of 230 per million population. The application rate for A8 nationals in the same period was 2,900 per million population.

- *EU Candidate countries*: Croatia and Macedonia (6 million) and Turkey (72 million)
- *Potential Candidate countries*: Albania, Bosnia and Herzegovina, Montenegro and Serbia (including Kosovo) (17.5 million)
- “EU *Blue Card* system”
- *Fresh Talent Initiative* (rolled out the rest of the UK and incorporated into the PBS system)
- Making the UK PBS system work for Scotland is a matter of political will.