

David Hume Institute Seminar

The Economics of New Immigration to Scotland - Professor Robert E Wright

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Setting the scene for the evening, Chairman Duncan Macniven, Registrar General for Scotland, referred to Hume's observation that "The face of the earth is continually changing by ...the migration of tribes". "Is there any thing discoverable in all these events but force and violence?" Hume asked: and in this absorbing presentation Professor Robert Wright – himself a migrant from Canada – answered with a resounding "Yes". In his introduction Duncan alluded to Robert's "particular skill in presenting an agreeable proposition in a combative way" and promised a provocative presentation. Robert did not disappoint. He delivered a thought-provoking analysis of the distinctive features of migration in Scotland; the drivers both for migrants and for their willing or less willing hosts; and the likely development of migration in Europe.

The topic was particularly timely, coinciding with the publication of the House of Lords Economic Affairs Committee's conclusions, which cast doubt on the economic benefits of immigration for the UK. This provided a useful backdrop for highlighting differences between Scottish and wider UK interpretations of the effects of migration.

Robert began by pointing out rapid changes of perspective. In his view Jack McConnell's statement in February 2004 that falling population is "the single biggest challenge as we move further into the 21st century" was closer to the mark than a 2008 *Scotsman* declaration of "...definitive proof that the key demographic trend in Scotland has changed direction." He urged a return to the concern that preceded the recent upturn in immigration.

Robert succinctly outlined Scotland's demographic profile. His figures (set out in full in the presentation slides – on the web site) starkly demonstrated that for four decades Scotland's fertility has been below replacement level. A similar picture across Europe suggests that any hopes of a new baby boom are misplaced. Scotland's life expectancy record is not impressive compared to other countries but may be expected to improve. Assuming zero net migration, the projection is therefore for a declining and ageing population and, most critically, a significant fall in the numbers aged 16-64 who account for over 95% of the labour force.

Citing his team's research, jointly funded by ESRC and the Scottish Executive, Robert outlined the likely economic consequences of such a decrease in labour supply – all of which measures would be negative in 50 years if net migration was zero. Calculations with a range of migration growth assumptions suggested that net migration of 15,000 per year would be needed to offset these negative effects.

Comparison of the trends for Scotland and the UK shows similar patterns of net migration over the past 50 years, but with wider variation in Scotland - from higher

negative rates, to stronger positive rates since 2004. The loss to Scotland of 850,000 people through migration over the period was matched only by the experience of Ireland. Against this background Robert suggested that the current immigration level for Scotland looks about right. The House of Lords committee sees the net UK figures as being too high.

In considering means to achieve the right balance, Robert outlined possible action to reduce emigration. He suggested that education policy, specifically reducing the % passing through to HE in Scotland, could be a key to reducing emigration on the basis that “overeducated” Scots leave to seek opportunities to match their high level skills.

Robert considered the profile of current immigration to the UK from the A8 countries (*i.e.* the most recent entrants to the EU), noting that most immigrants are young, without dependents and with no long term commitment. Given that most are highly qualified but come into low skilled work, the probability that they will stay depends on their opportunities to progress in work. A small scale study in Glasgow found a similar profile but with a higher intention to stay. (On a practical point, the data available gives a very inexact measure of migrants currently in the workforce: although initial registration for work is recorded - and Scotland has a relatively high proportion of registered workers - no record exists for change of employment or departure. This lacuna in the data collection appears to be a significant complication in any policy formation – but the Registrar General is attending to it.)

The likelihood of current high levels of immigration continuing is low. Other EU states which are not currently open to A8 migrants will soon be obliged to raise restrictions. Though Germany might seek to extend the current restriction, once it is lifted there will be significant diversion of migrants into such a large, and neighbouring, economy. The A8 home economies are also growing rapidly so the differential in standards of living is reducing. And the populations in A8 countries are themselves ageing and declining so the supply of potential migrants is limited.

Analysis of the UK Points Based System (PBS) which applies to Commonwealth and other countries though not to migrants from the EU, suggested possible benefits for Scotland in managed immigration. The opportunity for regional differentiation seems to exist but Robert was concerned that those, on the newly-established Migration Advisory Committee had limited understanding of matters in the devolved administrations. One current advantage enjoyed by Scotland will in fact cease as the “Fresh Talent” principle is rolled out across the UK. And the high level of points (75) set for the UK might be higher than Scotland would wish. Robert acknowledged concerns about immigrants to Scotland moving elsewhere in UK, but believed a residence condition could be made to work and asserted that differential requirements between provinces in Canada had not led to practical difficulties.

For the future he maintained it was not possible to rely on a supply of new EU migrants either from the most recent new members or from candidate countries. Political

negotiation with Westminster was therefore necessary to ensure the PBS could be made to work to meet Scotland's specific need for immigrants from other countries.

Unsurprisingly Robert's presentation provoked animated discussion. Topics raised in the lecture theatre and at the dinner which followed included:

- Was it a simpler proposition to attract English immigrants to Scotland than to induce migration from outside the UK? “Swapping people around” was not held to be a viable solution.
- Might the availability and desire of older people to work longer meet some needs? Robert recognised that the model he described might not currently take full account of the possibility of attracting other groups of workers when linking the effect of higher real wages to competitiveness. But he queried whether older workers would continue at lower wages – and therefore whether they were indeed substitutes.
- If emigration from Scotland was higher than from elsewhere in the EU, might there be advantage in working on the incentives to stay? Robert pointed to the globalisation of labour markets and current mismatch of skills supply and demand as reasons to focus on encouraging immigration. Jeremy Peat also noted that if emigration is to be reduced it is necessary to improve economic performance. A key contributor to this improvement is the dynamism and entrepreneurial skills that young migrants bring - being themselves among the most motivated they bring disproportionate benefits.
- Knowing more about how migrants make choices and what motivates them, including the non-economic factors, is a necessary complement to the demographic analysis.
- Tackling the population differential is clearly relevant in seeking to meet the government's target of raising Scotland to UK GDP levels by 2011, but other productivity drivers also have long term effect.
- Warnings were sounded about allowing a drive for immigration to become politicised, especially at a time of threatened economic downturn and lower demand for labour.

In conclusion Jeremy Peat, Director of the Institute thanked Robert warmly for his informative and stimulating presentation, and his efficiency in working up such a thorough paper. In a short evening we had learned much from a wide-ranging and challenging examination of the realities of immigration for Scotland. However it feels this is just a start - there are a number of threads which we will now wish to see sewn into the future seminar programme.

Kyla Brand