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The Economics of New Immigration to Scotland

March 2008

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* Some of the research included in this report has been carried out with Katya Lisenkova, Peter McGregor, Irene Mosca, Nikos Pappas and Kim Swales. However, the author takes full responsibility for all errors, omissions and shortcomings associated with the way in which this research has been used.

Abstract: This report evaluates the role that immigration could play in shaping Scotland's economic future. Traditionally Scotland has been a net-exporter of people with negative net-migration throughout most of the last century. However, in the past few years, the situation has reversed itself and Scotland is currently a sizeable net-importer of people. Much of this recent increase in net-migration has been driven by immigration from the countries that joined the European Union in 2004. Evidence suggests that this immigration has contributed to short-term economic growth and it is likely that immigration will become increasingly important to long-term economic growth. However, immigration from these countries is declining. Therefore, relying on these flows indefinitely to rebalance Scotland's demographic deficit is extremely risky. It is argued that the required immigration levels will only be achieved through a managed points-based immigration system that explicitly takes into consideration economic and demographic differences between regions. That is, the adoption of the type of immigration system that has been in place in such countries as Canada and Australia for the past four decades.

Foreword

On behalf of the David Hume Institute I wish to thank Professor Robert Wright not only for agreeing to undertake a seminar for us on 'The Economics of New Immigration to Scotland,' but also for producing this excellent accompanying paper. What was particularly impressive was not just the quality of this paper but the fact that each draft was produced bang on time, despite his host of other commitments. I would also like to thank, once more, the Economic and Social Research Council – and Lesley Lilley in particular – for their sponsorship of both seminar and paper. Their support over the years is hugely appreciated by the Institute. My final thanks go to Lesley Sutton, our Research Officer, for managing the project and working with Robert Wright on the drafts and the finalisation of the report; and to Professor Brian Main for his support and constructive comments.

The topic of migration and Scotland has been one that has intrigued me since I produced 'An Illustrated Guide to the Scottish Economy' a decade back. From the work for that book it was clear that migration trends mattered to Scotland. The continuing net outflow of human capital was clearly a major drain on our resources, as well as perhaps being a sign that all was not well with our economy. I noted a minor 'blip' in the early 1990s to our long-standing trend to export population each and every year, and put that surprise inflow down to Scotland suffering less than the rest of the UK in those recession years. For a period job prospects were better here than 'down south'. Sadly that blip was short-lived, as was the period of Scotland's economy out-performing our 'Rest of the UK' counterpart. Normal service – i.e. net out migration – was rapidly resumed.

To reverse the trend of net out migration on a continuing basis required either a sea change in relative economic performance or a significant in-flow of migrants from outwith the UK. The 'sea change' looks difficult to achieve while out migration continues. Robert Wright's modelling work with colleagues at the University of Strathclyde, as summarised in this report, demonstrates how severe an impact net outward migration, and the consequent more rapid ageing of the Scottish population, has on economic performance. However, recent data do suggest that there has been a burst of in migration, and it is this phenomenon that is examined in this report – including an assessment of whether it will continue unaided and if not how further in-migration flows can be encouraged.

The report demonstrates (while noting the severe data deficiencies) that there has been a surge of in-migration to Scotland from nations which have been new entrants to the EU, the so-called A8 economies. However, inflows from Commonwealth countries, primarily the Indian sub-continent, remain larger than those from the A8. Further, while the A8 immigrants are generally young, over-qualified for their jobs and dynamic, Robert's analysis suggests that the flow is unlikely to be sustained. There is no inexhaustible supply of potential young migrants from these economies; nor other major sources of potential migrants queuing up to join the EU. Further the A8 economies are developing at pace, generating more and better paid job opportunities at home. Additionally, as the euro soars high against sterling the value of sterling wages as a source of funds to repatriate diminishes.

So Robert anticipates a slowing of this flow and suggests that we must look elsewhere for a continuation of the healthy trend of in-migration. That will in turn mean developing policies to encourage the trend on a selective basis. That leads into a fascinating discussion of the points-based system being developed by the UK government to determine who is eligible for in-migration. This is similar to systems which have been in use in Canada and Australia for many years, with which our author is very familiar. His experience suggests that Scotland could be permitted to vary the criteria to suit Scottish interests. In the present climate of re-visiting the state of devolution for Scotland this raises a host of interesting issues for discussion.

As usual I must close with the standard disclaimer. Whilst the David Hume Institute is delighted to publish this paper and promote the seminar, as a contribution to informed debate on a crucial topic, the Institute can hold no specific views on policy topics. The views in this paper are those of the author and not of the Institute.

Jeremy Peat
Director
March 2008

1. Introduction

In many respects, the demographic situation in Scotland is similar to other high income industrialised countries. Fertility has been below the replacement level for several decades. Mortality has declined steadily in the past century, with life expectancy increasing across the entire age range. The decline in fertility and mortality has established the conditions that have caused the population to “age” considerably since the peak of the baby boom in the mid-1960s and this process will accelerate in the future. In simple terms, population ageing is the increase in the average or median age of a population. It is the process by which there is a redistribution of relative population shares away from the younger to the older age groups. It is ultimately caused by the interaction of the three main demographic variables—fertility, mortality and net-migration—with fertility being the main determinant.

With respect to net-migration, the experience of Scotland differs to that of most other industrialised countries. Net-migration is the difference between immigration and emigration i.e. the difference in the number of people moving to and leaving a country. For most of the last century, Scotland was a “net exporter” of people with the flow of emigrants being considerably larger than the flow of immigrants. However, over the past few years (particularly since 2004), Scotland has been a “net importer” of people with the number of immigrants being much larger than the number of emigrants. That is, the net-migration trend has reversed itself and the current level of net-migration is the highest in Scottish history. The key question is whether this trend of historically high and increasing net-migration will continue into the future or will the more typical situation of negative net-migration be re-established. This is an important question since for nearly a decade deaths have exceeded births, and without positive net-migration the population will decline.

If left unchecked, the ageing of the Scottish population will lead to an increase in the number of individuals of pensionable age and a decrease in the number of individuals of working age. This will lead to a large increase in the demand for state-supplied health care, residential services, housing, pensions and other services consumed by the elderly. Unfortunately, at the same time, the base expected to pay for this increase—essentially people of working age—may become progressively smaller both in absolute numbers and in relative population share. That is, those “demanding” will increase while those “supplying” will decrease. It is not hard to imagine that such a situation of increasing imbalance is unsustainable in the long-run and some will argue that cracks in Scotland’s welfare system, caused by population ageing, are already starting to show.

There is a growing consensus that the Scottish Government will soon find itself without the necessary resources to accommodate the changes in the expected demand for public services and other welfare benefits targeted at the elderly caused by population ageing (see Wright, 2002a, 2004a). Nevertheless, they will be expected to increase expenditure in these areas in order to insure that the living standard of this numerically increasing segment of the population does not fall. As a population ages so does its electorate, and older people compared to younger people have much higher rates of participation in elections at all levels of government. The dilemma facing politicians is that if they do not—or cannot—accommodate the demands of their ageing electorate they will suffer dearly at the ballot box. A “greying electorate” will not vote in mass for politicians who they believe are ignoring their interests.

There is a large and growing literature concerned with the economic consequences of population ageing (see Weil, 1997 for an excellent review). For example, research has considered the impact on key labour market variables such as productivity, earnings, employment, unemployment, mobility, migration, retirement and educational participation (see Wright, 2002b, 2004b for some Scottish evidence). Likewise, serious attention has been directed towards evaluating the effect of population ageing on savings, consumption, housing and intergenerational transfers. It is safe to conclude that not all the effects of population ageing are negative. For example, it is clear that population ageing will increase the demand for services consumed by older people (e.g. residential care) but at the same time will decrease the demand for services consumed by younger people (e.g. schooling). There is considerable debate surrounding what the net effect of such changes will be on key economic variables such as economic growth. It could be the case that the resources which are saved when schools are closed and teachers are shed might counterbalance the resources spent on expanding Scotland's system of "free care" for the elderly.

The purpose of this report is not to place Scotland in the context of the many themes that make up the debate concerning the economic and social consequences of demographic change. My starting position is that population ageing is both undesirable and problematic and if unchanged will lead to a substantial and sustained fall in the standard of living of the Scottish people. Such a starting position, although pessimistic, is not unrealistic when one considers the experience of other countries (most notably Germany). With this in mind, this report evaluates the role that immigration could play in shaping Scotland's economic future.

The remainder of this report is organised as follows. Section 2 describes past trends in the main demographic, which is needed to understand how the current demographic situation has been reached. It also provides the specific context in which to consider likely future demographic trends. Section 3 presents some evidence on the negative economic consequences caused by population decline and illustrates the role that increased net-migration would play in mediating such effects through expanding the potential supply of labour. Section 4 considers past trends in immigration and emigration in Scotland and the UK since the experience of the two are related. Section 5 describes the demographic and socio-economic characteristics of recent immigration flows to Scotland and the UK. Section 7 speculates on whether the large immigration flows, especially those from the countries that joined the EU in 2004, will continue in future. In light of this discussion, Section 8 considers what type of immigration system is required in the UK to benefit all regions including Scotland. Conclusions follow in Section 9.

2. Demographic Background

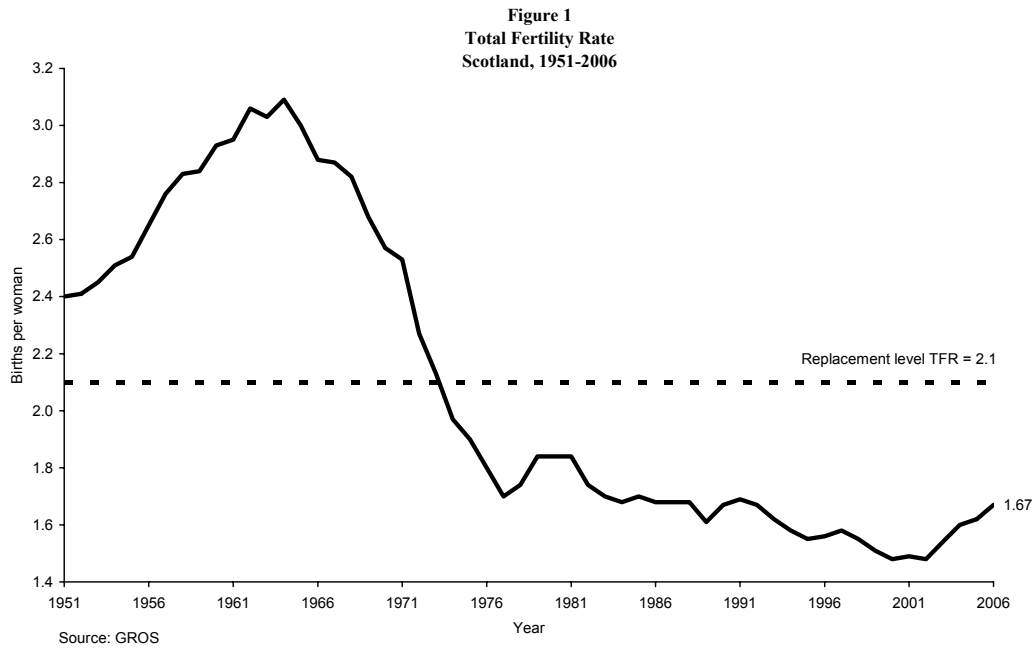
It is worth describing briefly the mechanisms that cause a population to change in size. Below is what demographers usually refer to as the "population growth identity":

$$\Delta N = B - D + I - E$$

where: " ΔN " is change in population size (N); " B " is the number of births; " D " is the number of deaths; " I " is the number of immigrants and " E " is the number of emigrants. From this identity there are two ways a population can grow or decline. The first is by "natural increase" ($B-D$), which is simply the difference between the number of births and deaths. The second is by "net-migration" ($I - E$), which is simply the difference between the number of immigrants and emigrants.

Therefore, it is necessary to examine past trends in fertility, mortality and net-migration in order to understand the current demographic situation.

Figure 1 shows the total fertility rate (TFR) for Scotland for the period 1951 to 2006. This measure summarises the number of children that a woman would be expected to have if she moved through the child-bearing ages of 15 to 49 bearing children at the rates that prevail in any particular year. Also shown in this figure is the so-called “replacement level” of fertility, which is approximately 2.1 live births per woman. This is the level of fertility required so that the number of births equals the number of deaths and population size will remain constant.



In keeping with most other industrialised countries, Scotland experienced a sharp increase in fertility in the 1950s and 1960s. In these so-called “baby boom” years, fertility was well above the replacement level, with the TFR peaking at around 3.2 births per woman in 1965. However, since then, the trend has been downwards with periodic short-lived upturns. More importantly, since 1975, fertility has been below the replacement level. The most recent (2006) estimate of the TFR is 1.67 births, which is about 25 per cent below the replacement level. It is also worth noting that over the past two decades, the TFR in Scotland has been below that for the United Kingdom as a whole and is currently the lowest of the four countries that make up the United Kingdom. As is shown in Table 1, a TFR of 1.67 is about 10 per cent higher than the average of the 27 member-states that make up the EU. There are 20 member-states where the TFR is lower and 7 (including the UK) where it is higher.

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 shows life-expectancy at birth for women and men in the period 1951 to 2006. In 1951, life expectancy was 68.7 years for women and 64.4 years for men. By 2006, it had risen to 77.0 years for women and 74.6 years for men, which is lower than in England, Wales and Northern Ireland. Despite this apparent progress, Scotland has not done well in terms of mortality decline when compared to other high income countries.

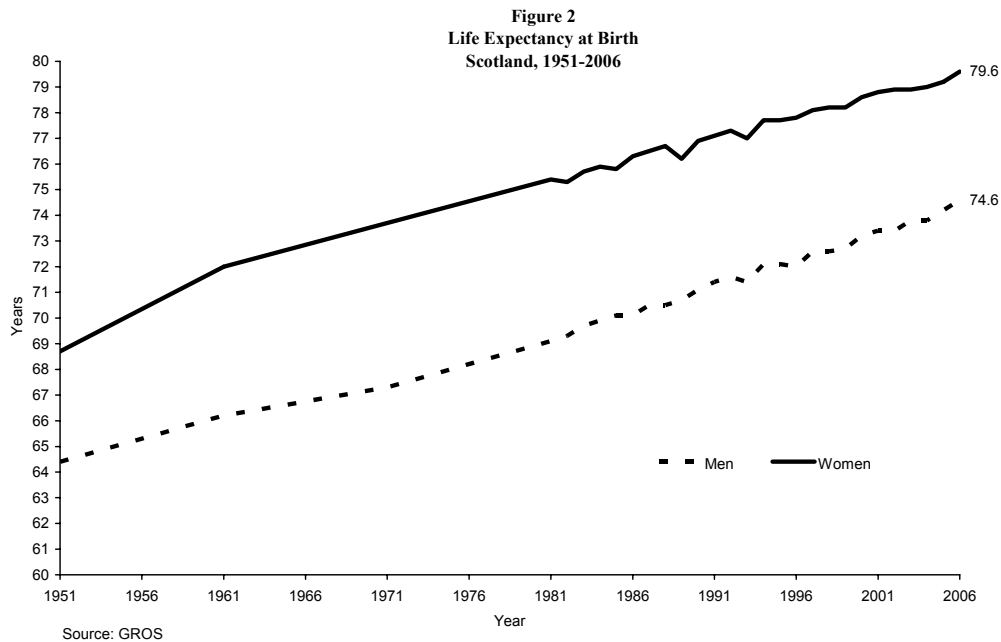


Table 2 shows comparable estimates for the member-states of the EU. Scotland is in the bottom half of this table, with female and male life-expectancy being about the same as in Lithuania and Slovenia, respectively. Although space does not allow for a detailed discussion of this issue, it is important to stress that Scotland's mortality is excessively high and closing the gap with other countries will be a major public health and educational challenge.

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	Estonia	78.6
Slovakia	70.4	Slovakia	78.4
Bulgaria	69.2	Hungary	77.8
Hungary	69.2	Lithuania	77.0
Romania	69.2	Scotland	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

Assuming for the moment that net-migration is zero, what would the size and age structure of the population of Scotland be in the future? While it is not possible to “predict” the future, it is possible to “forecast” the future size, age and sex structure of a population given a precise set of assumptions by applying population projection techniques (see Hinde, 1998). While official population projections for Scotland are carried-out biannually by the Office in National Statistics in London (e.g. GROS, 2007), the “zero net-migration” projection considered here is taken from Lisenkova, et al. (2008b). The two main assumptions of the projection are that fertility remains constant at around 1.65 births per women and that mortality continues to decline for both men and women on a trend similar to that shown in Figure 2. These are the same assumptions used in the GROS’s (2007) “baseline” population projection.

Given these assumptions, the population of Scotland will decline in size in the future. It will fall to below five million in about two decades and reach around 4.7 million by 2051 (see Figure 3). The population will age more rapidly than in the recent past. For example, there will be a sharp increase in the proportion and the number of people in the 65 and older age group (see Figure 4). Likewise, there will be a sharp decrease in the proportion and number of people below the age of 15. Finally the number of people in the aged 16 to 64 group will start to plummet from its current level of 3.4 million to below 2.6 million by 2051 (see Figure 5). From an economic point of view, this age group is of particular importance since it often referred to as the “potential labour force”. It is the age group where almost all employment is concentrated. Most economists would agree that a decline in the size of the potential labour force will have serious negative economic consequences.

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

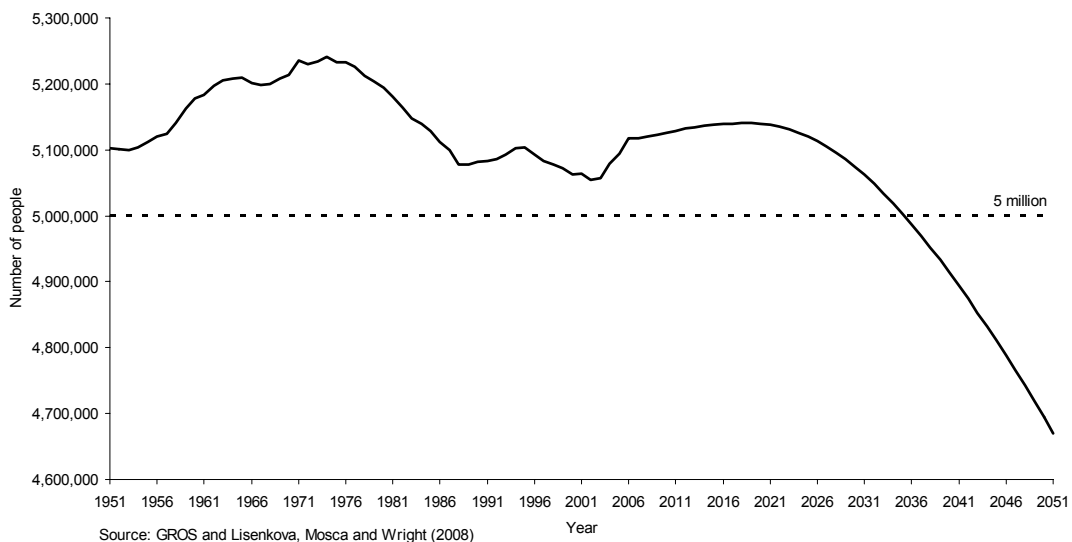


Figure 4
Percentage of Population Aged 0-14 and 65+
Scotland, 1951-2051
(Zero Net-migration)

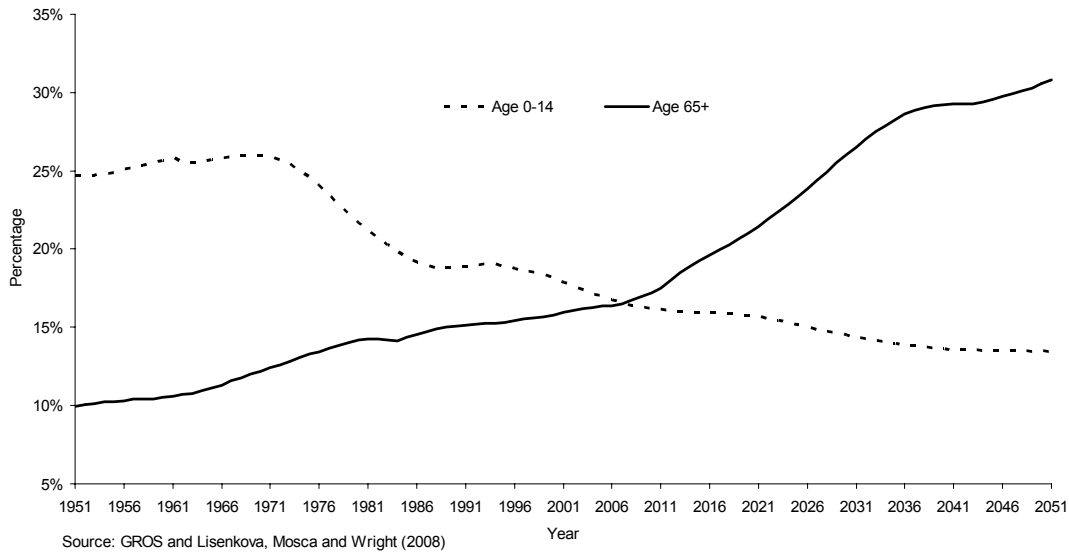
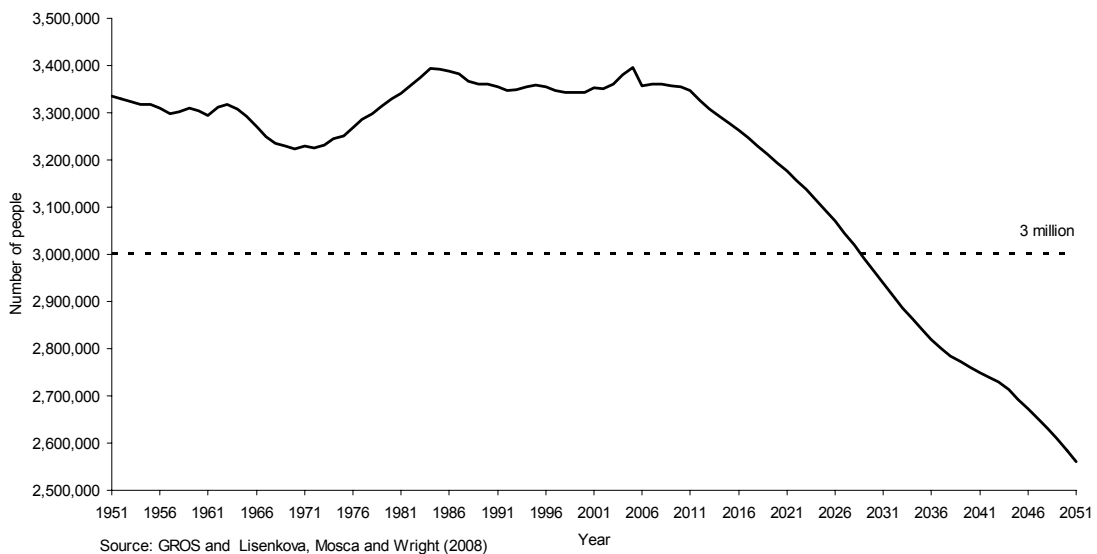


Figure 5
Population Aged 16-64
Scotland, 1951-2051
(Zero Net-migration Assumption)



3. Macroeconomics Impacts of Labour Force Decline

Lisenkova et al. (2008a,b) have developed a framework for evaluating the wider macroeconomic impacts of a “shrinking” Scottish labour force. The framework is based on a computable general equilibrium (CGE) model of the Scottish economy called “AMOS”. AMOS has been developed over a long period of time at the University of Strathclyde. In a nutshell, it is a mathematical representation of the way some believe the Scottish economy operates. It has been used to evaluate a wide range of policies. With this model it is possible to simulate the impact of labour force decline on key macroeconomic variables such as output, wages, employment, consumption, inflation and competitiveness subject to a range of assumptions.

The population projections discussed in the last section suggest that, under the assumption of zero net-migration, the number of people in the total population will decline and the number of people in the 16 to 64 age group will also decline (albeit at different rates). Lisenkova et al. (2008a,b) explicitly consider two effects associated with such changes. The first is a “labour supply” effect while the second is a “labour demand” effect.

The first effect is that the “labour supply curve” will shift left as the potential labour force gets smaller. Conventional thinking suggests that such a reduction in available workers will put upward pressure on wages. In turn, this upwards pressure will feed through to higher costs of production, leading to lower competitiveness, and in the end decreased output. The second effect is that, if government expenditure per head remains constant (a big “if” with population ageing), total government expenditure will decline as the total population gets smaller. This in turn will lead to a shift in labour demand to the left because fewer goods and services paid for by the government will be needed “per head”. This will put downwards pressure on both wages and output. Based on empirical data, the simulations are carried out based on the assumption that the labour supply effect is considerably larger than the labour demand effect.

Table 3 summarises the main macroeconomic effects of zero net-migration given in Lisenkova et al. (2008b). The simulation period is 2006 to 2051, which is same as for the population projections considered above. The projections suggest that the total population will decline by almost 9 per cent in this period while the population aged 16 to 64 will decline by over 24 per cent. The model suggests that such changes would be associated with a 13.4 cent drop in output; an 8.8 per cent drop in consumption; a 5.3 per cent decrease in competitiveness (measured as the inverse of export prices); and a 14.4 per cent reduction in employment. Wages would rise on average by 10.8 per cent. Since the decline in the total population is smaller than the decline in output, GDP per head will also decline, suggesting a considerable welfare loss. In addition, these effects differ considerably across sectors of the economy, with those sectors that are more labour intensive being more adversely affected, as shown in Table 4.

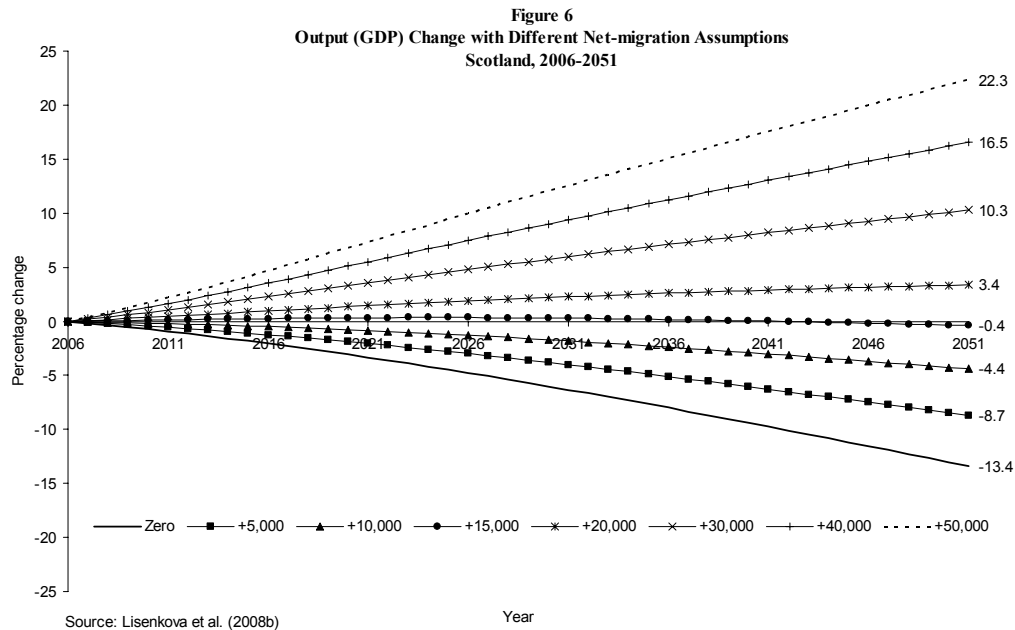
Table 3
Simulated Macroeconomic Effects of Zero Net-Migration
Scotland, 2006-2051

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)					

<p style="text-align: center;">Table 4 Simulated Sector GDP Loss by 2051 of Zero Net-Migration, Scotland, 2051</p>		
	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
<p>Source: Lisenkova et al. (2008b)</p>		

The effects summarised in Tables 3 and 4 are “caused” by a decline in both the size of the total population and the size of the potential labour force. It follows that these negative effects could be ameliorated by policies that prevent population and labour force decline. Lisenkova et al. (2008b) consider the consequences of several possible policy options, including increased net-migration. More specifically, they assume that Scotland has an immigration system that is successful at attracting immigrants of working age. The question then becomes what level of net-migration is needed to neutralise these negative macro-economic consequences?

They consider various levels of net-migration ranging up to +50,000 people per year. However, it is important to note that in these simulations, all migrants are assumed to be equally spread across the 20 to 39 age group and the sex ratio is balanced. In other words, immigration and emigration outside this age range is self-cancelling. Their analysis suggests that a net-migration of 15-20,000 per year is required to alleviate these negative macroeconomic consequences. This outcome is illustrated in Figure 6, which shows the different time-paths of output (up until 2051) based on different levels of net-migration. As the figure shows, the time path flattens out at net-migration levels in this range. Levels above this are associated with sizeable output growth. As is discussed in the next section, this level of net-migration is not far off what Scotland has experienced since 2004.



The simulations presented above assume that demography is exogenous in the sense that fertility, mortality and net-migration are not determined within the model. The population projections are carried out and then input into the simulation model. While such assumptions are clearly questionable, they do form a useful starting point, remembering the complexity of the simulation model being used. However, it is important to report that some effort has been spent on attempting to “endogenise migration”, which seems particularly important when one considers the relatively large potential macroeconomic effects of net-migration reported above. More specifically, Lisenkova et al. (2008a) adopts the standard Harris and Todaro view that migration is positively related to the real wage differential, and negatively to the unemployment rate differential. Parameters for this are taken from the net-migration equations estimated by Layard, Nickell and Jackman (1991). This work is at a preliminary stage and therefore numerical results are not reported here. However, it does appear that “endogenous migration” does not generate a net-migration flow large enough to seriously curb the negative macroeconomic impacts reported above. That is, even though endogenous migration does “help” it is not in itself “the solution” to the problem.

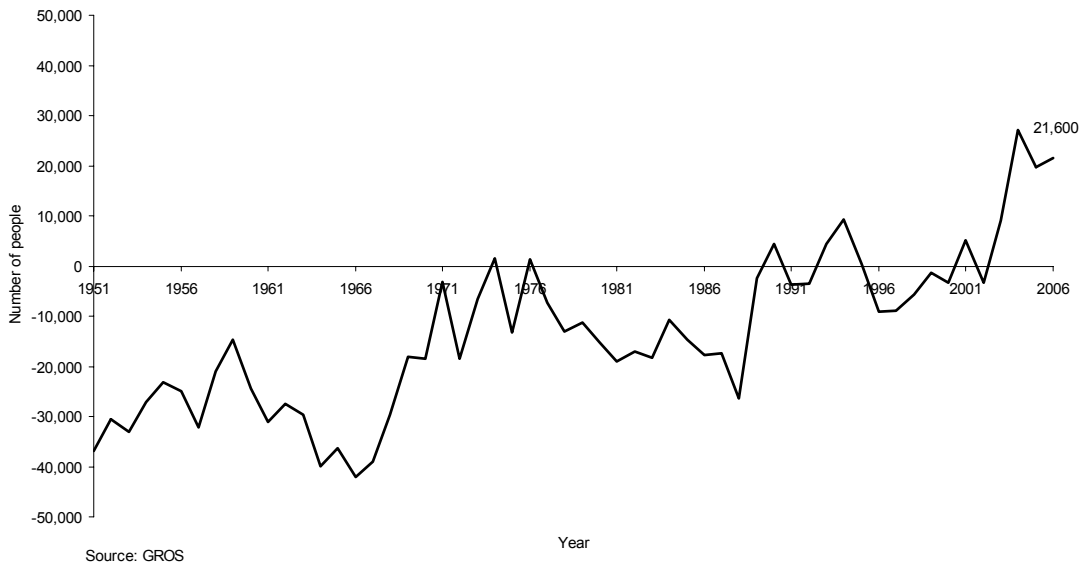
4. Trends in Net-migration

For almost a decade in Scotland the number of deaths has exceeded the number of births. As the population ages, the gap between the two will grow. If fertility does not increase dramatically (which seems unlikely) then the main determinant of future population and labour force growth will be net-migration. The research of Lisenkova et al. (2008a,b) has demonstrated the economic importance of net-migration. Taken at face value, this work suggests that both the Scottish and UK Governments should put in place policies that encourage immigration and discourage emigration. Although the policy objectives are clear, the delivery of these objectives is complicated. In order to understand the difficulties involved, it is first necessary to consider past trends in immigration and emigration both in Scotland and the UK.

With respect to demographic data collected and analysed by governmental agencies in the UK (such as the Office of National Statistics and the General Register Office for Scotland), migration data is by the far the most error prone. Unlike other countries such as Sweden, the UK (and Scotland) does not have a system of “population registers” that legally require individuals to report both domestic and international moves (in the same way that the reporting of births and deaths is “required”). Immigration and emigration data is essentially “pieced together” from a variety of indirect sources such as the International Passenger Survey (IPS), the National Health Service Central Register and the Community Health Index, and then statistically massaged. The last two sources essentially pick up people who have moved within the UK and have changed their doctor while the first source picks up a fraction of those people moving to and from the UK (in 2002 the Scotland IPS sample was 120 people!). The most reliable source of migration data is the Census. However, since the Census is carried out every ten years, it is of little use in estimating migration flows in the intervening period. What this means is the migration data is of generally poor quality and particularly poor for smaller geographic areas such as Scotland. Estimates of immigration and emigration are characterised by wide statistical confidence bands and point estimates should be used with caution (see National Statistics, 2006).

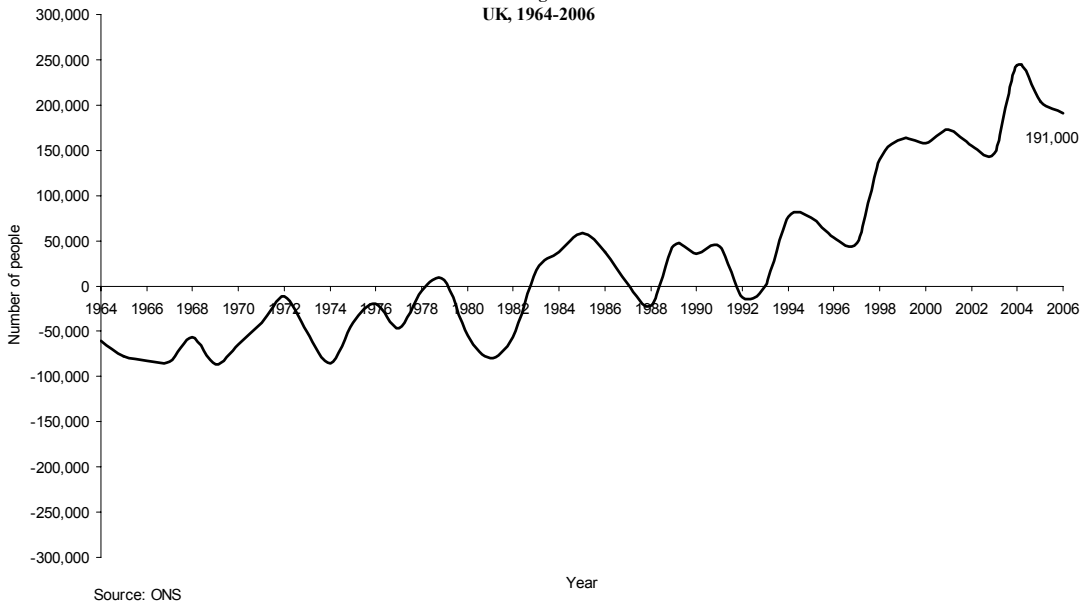
Figure 7 shows the trend in net-migration in Scotland for the period 1951-2006. Throughout most of this period, the number of emigrants was larger than the number of immigrants, leading to population loss. In this period, net-migration loss was about 825,000 people, which is a staggering amount when one remembers that in this period the total population was around 5 million people. With perhaps the exception of Ireland, such an intensity of out-migration occurred in very few countries in the same period (see Lisenkova, Mosca and Wright, 2008). However, over time the gap between immigration and emigration gradually closed and the 1990s was a period of relative balance, where the number of immigrants equalled the number of emigrants. However, since 2000, immigration has exceeded emigration, and for the first time in Scottish history, the country has experienced at least four years in a row of positive net-migration. More specifically, in the period 2001-2006, net-migration numbered around +80,000 people.

Figure 7
Net-migration
Scotland, 1951-2006



The situation for the UK as whole is surprisingly similar. Figure 8 shows the UK trend in net-migration for the period 1964-2006. Data prior to 1964 are thought to be particularly unreliable and therefore not included in this discussion. However, it is generally agreed upon that the 1950s was a period of significant out-migration from the UK. In the 1964-2006 period, net-migration was positive, with about one million more people coming to the UK than leaving. Since the early 1990s, net-migration has been positive and has risen more or less year-on-year since then.

Figure 8
Net Migration
UK, 1964-2006



In order to improve the comparability of the experiences of Scotland and the UK, Figure 9 shows the crude migration rates for the period 1964-2006. This rate is simply the number of net-migrants expressed per 1,000 of the population. For most of this period, the rate was “more negative” for Scotland than for the UK as a whole. However, over time for both the UK and Scotland, the crude migration rates have become “less negative”. The rate is now clearly positive for both. If anything, the current rate of net-migration is slightly “more positive” for Scotland than for the UK as a whole.

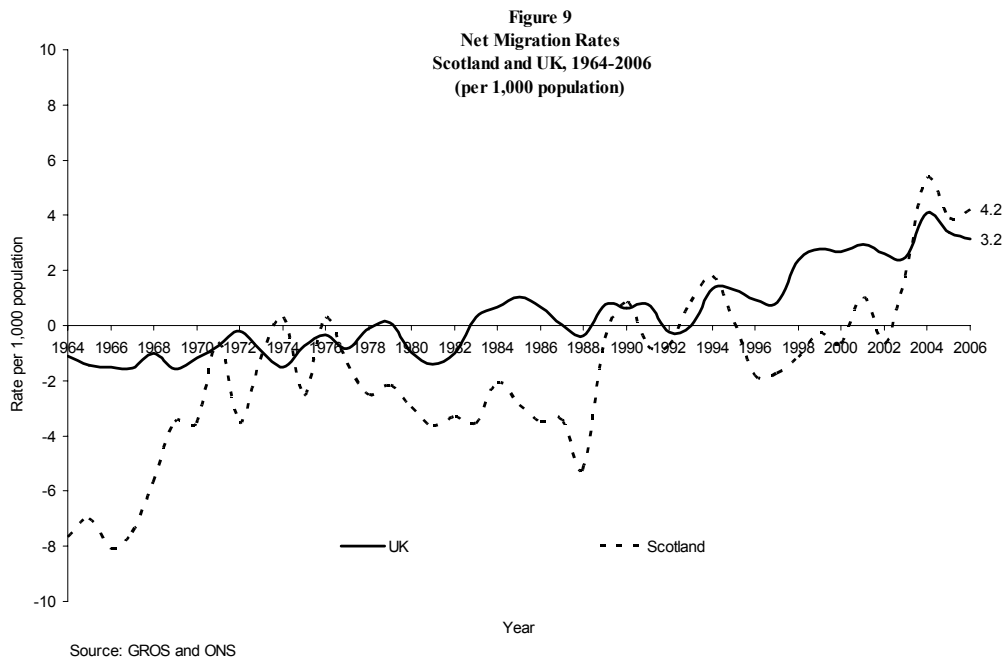
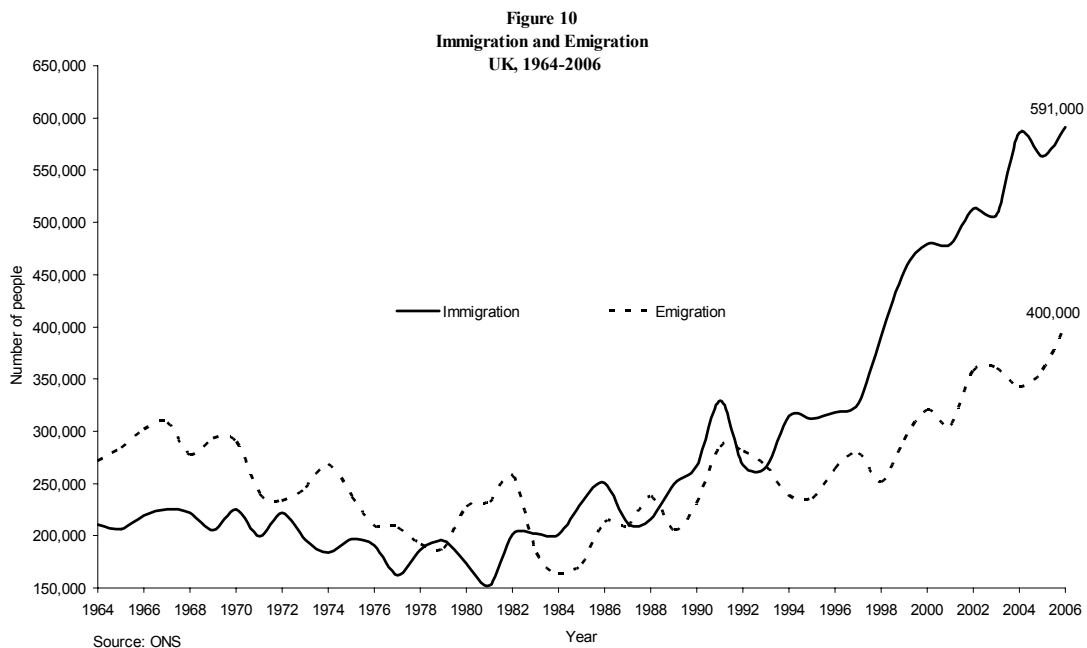


Figure 10 shows the levels of immigration and emigration for the UK for the period 1964-2006. What is important to note is that since about 1995 both immigration and emigration have increased. However, immigration has increased more rapidly than emigration and hence net-migration has risen. It is not the case that net-migration has increased because emigration has declined (see National Statistics, 2008a).



Unfortunately year-on-year estimates of immigration and emigration for Scotland are not deemed reliable. However, considerable effort by the GROS has been put into trying to improve the methodology used to estimate immigration/emigration flows (see Wright, 2007). As is discussed below, this new-and-improved methodology suggests that net-migration levels over the last few years may in fact be considerably lower than previously thought (i.e. the estimates given in Figure 7 and Table 5).

With this caveat, Table 5 shows a breakdown of immigration and emigration for Scotland for the period 2003-2006. There are several things worth noting about this table. People immigrating (moving) from the rest of the UK to Scotland decreased in this period. This reduction has been counteracted by an increase in immigration from abroad. With respect to emigration, the number of people emigrating (moving) from Scotland to the rest of the UK has (if anything) decreased slightly. However, the number of people emigrating abroad has increased. Therefore, with respect to immigration/emigration from/to abroad, recent trends are similar for Scotland and the UK as a whole.

<p align="center">Table 5 Immigration, Emigration and Net-migration Scotland, 2003-2006</p>							
		<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	61,900	36,300	98,200	46,400	24,600	71,000	+27,200
Mid-2004 to mid-2005	57,300	35,400	92,700	44,800	28,100	72,900	+19,800
Mid-2005 to mid-2006	53,300	42,200	95,500	44,400	29,500	73,900	+21,600
Source: GROS							

Although it would be a serious exaggeration to conclude that migration trends in Scotland and the UK are the “same”, from a statistical point of view they are highly correlated and have moved in the same direction through time. This is hardly surprising given Scotland is part of the UK. In addition, the immigration system and immigration policy is UK-wide and is a “reserved power”. Therefore, immigration is the sole responsibility of the UK Government and the devolved administrations, such as the Scottish Government, have little to do with policy development. As is discussed below, this is potentially important since policies put in place to reduce immigration to the UK “as a whole” will also likely reduce immigration to Scotland.

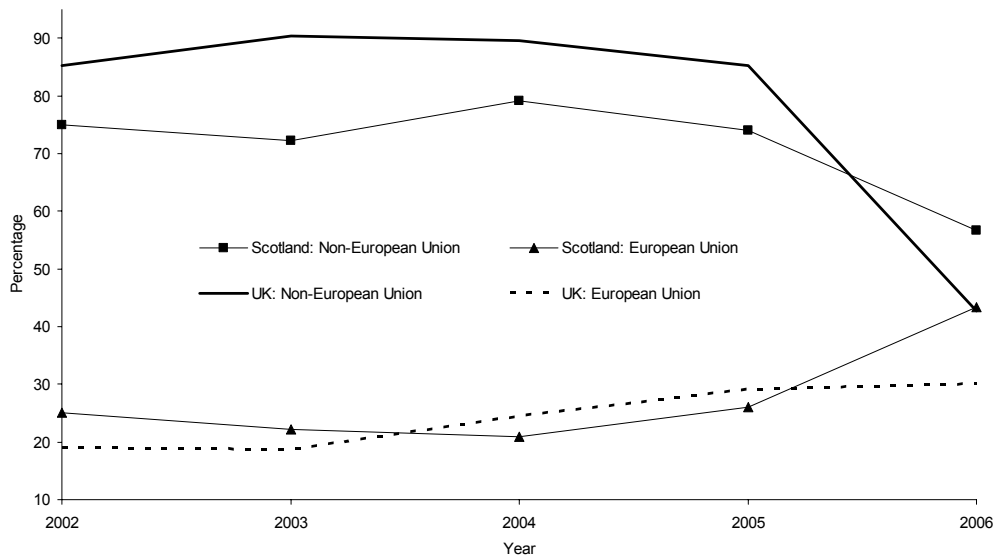
There has been little systematic and rigorous analysis of the determinants of UK immigration and emigration flows. In my view, the most comprehensive study to date is Hatton (2005). His empirical analysis suggests that a very simple economic model can explain most of the growth in immigration and emigration since the mid-1960s. More specifically, country-specific differences in income, unemployment and income inequality are important in the way suggested by migration “push-pull” theory. For example, holding other factors constant, higher rates of economic growth in the UK are associated with higher rates of immigration and lower rates of emigration (i.e. higher net-migration). Likewise, immigration policy changes in countries such as Australia, Canada, USA, New Zealand and the European Union (e.g. enlargement) also impact on immigration and emigration flows.

5. From Where Do Immigrants Come?

The estimates presented above suggest that there has been an increase in both international immigration and emigration in Scotland and the UK. While emigration is an important process, it is one that is difficult to influence by policy. In light of this, the remainder of this report will be concerned with immigration and in particular international immigration.

A key question is from what countries do immigrants to Scotland and the UK come? It is worth noting that a sizeable share of immigrants are in fact British citizens who emigrated abroad but have returned “home”. One source puts this total for the UK at around 15 per cent (National Statistics, 2008b). The same source suggests that in 2006 the citizenship (which is highly correlated with country of origin) distribution of “non-British immigrants” is: European Union = 30 per cent; Commonwealth = 43 per cent; and Other foreign = 27 per cent. In this sense the most numerically important group are Commonwealth citizens, with 80 per cent of the total being so-called “New Commonwealth” nationals mainly from the Indian subcontinent. The data also suggest that since 2004, there has been a decrease in the “Other foreign” group and an increase in European Union group, which in part reflects a reclassification of those citizens coming from the ten countries that joined the EU in 2004. Figure 11 suggests that this shift away from “foreign” to “EU” has also occurred in Scotland.

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



Source: National Statistics (2008b)

There is little disagreement that since 2004 there has been a sharp increase in immigration to the United Kingdom from the ten countries that joined the EU on May 1, 2004. The countries are: Cyprus, Estonia, Latvia, Lithuania, Malta, Poland, Czech Republic, Slovakia, Hungary and Slovenia. The total population of this group is around 74 million with Poland making up about half the total (38 million). The eight former-communist Eastern European countries as a group are often referred to as the “Accession eight” countries (or “A8” countries for short). Although there is considerable debate about what is the exact size of this flow, it is worth remembering that immigrants from the Commonwealth are likely to be the larger group. It is also likely that these Commonwealth immigrants are more committed to staying permanently (or at least longer-term). Furthermore unlike A8 nationals, people from the Commonwealth wishing to immigrate to the UK will be subject to the new points-based system being introduced into the UK (discussed below).

Even though the “...freedom of movement of workers is one of the basic freedoms under the EC Treaty”, only two member-states, Ireland and Sweden, allowed unrestricted movement of A8 nationals for the purpose of employment. The remaining twelve countries (not including the UK) placed restrictions on the rights of A8 nationals to work through systems of work and/or residence permits. 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) After 12 months of “uninterrupted work” (i.e. not being unemployed more that 30 days in 12 months) the individual no longer has to register with the WRS. They can then apply for a residence permit which confirms the right to live and work in the UK permanently. The self-employed are not required to register under the WRS. It is important to note that there is no requirement to “de-register” if an A8 national leaves the UK. The WRS has generated a large amount of data relating to A8 nationals who have entered the UK. It has generated no data relating to those who enter and then leave. Furthermore, since A8 nationals are only required to register once, the WRS data has no information about geographical movement or occupational mobility.

In the period May 1 to December 31, 2007, 796,110 applications were made to the WRS. About 96 per cent of these applications were approved, leading to 765,690 registrations. Table 6 shows the number of worker registrations for the UK, London and the South-east and Scotland. By the end of 2007, the number of registrations in Scotland had reached 62,400. The number of registrations in London and the South-east was 142,260. While London and the South-east make up about 25 per cent of the total UK population, the region accounted for only 18.6 per cent of total registrations. On the other hand, Scotland makes up about 8.5 per cent of the total UK population and received about 8.2 per cent of the total registrations. The data suggest that Scotland is “holding its own” with respect to worker registrations and London and the South-east are receiving considerably “less” than what one might expect given their relative population shares.

Table 6					
A8 Worker Registrations					
Scotland and UK, 2004-2007					
				% Total	
Year	UK	Scotland	London and South-east	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)					

Figures 12 and 13 show the number of worker registrations since 2004 for the UK and Scotland. The number of worker registrations has grown over the period in both Scotland and for the UK as a whole. In fact, as is suggested by Figure 14, growth has been more rapid in Scotland than in the UK as a whole. However, the number of registrations is falling off. For the UK, registrations were 227,875 in 2006 and 206,965 in 2007, suggesting a decline of nearly 10 per cent, with large drops in the fourth quarter of 2007. The figures for Scotland were 19,050 in 2006 and 19,345 in 2007, suggesting little change. It is also worth noting that there is considerable seasonality in registrations, with levels peaking in the spring/summer months.

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

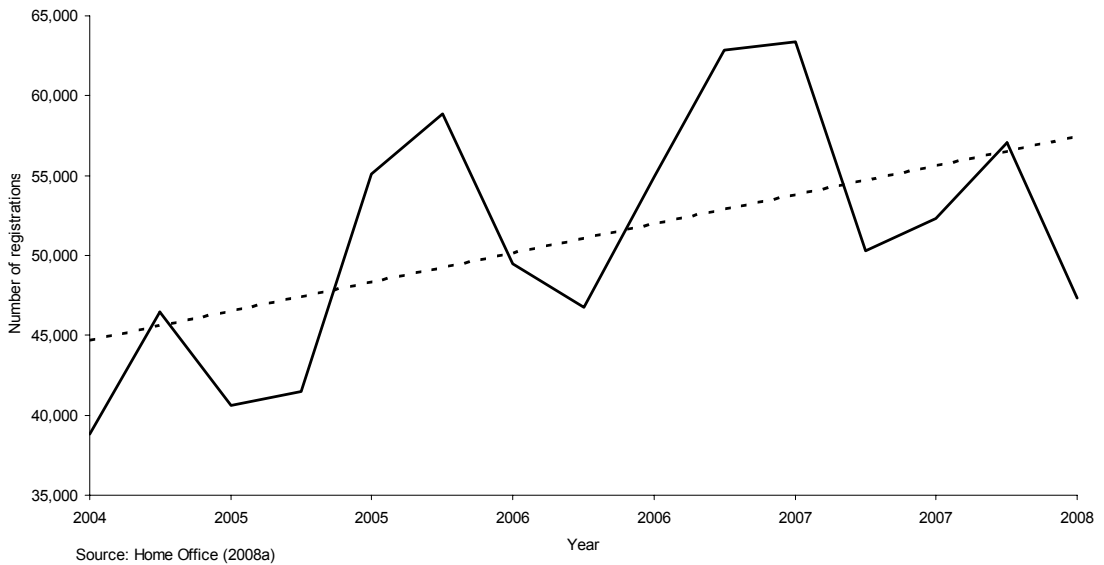
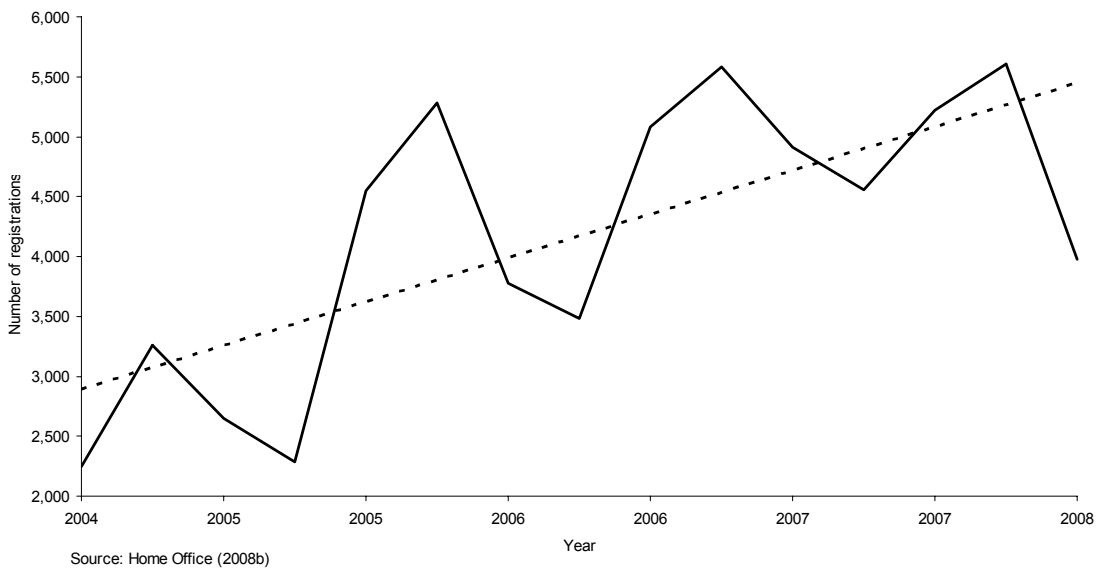
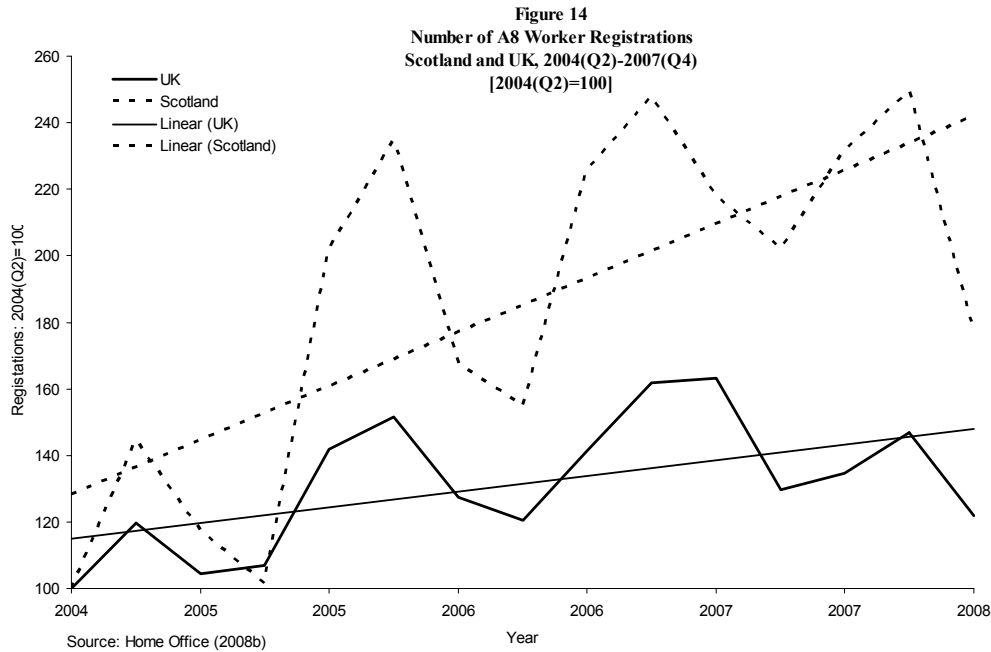


Figure 13
Number of A8 Worker Registrations
Scotland 2004(Q2)-2007(Q4)





6. Socio-economic Characteristics of A8 Immigrants

Poland has by far the largest population of any of the A8 countries. Therefore, it is not surprising that Poles account for the bulk of worker registrations. In the period May, 2004 to December, 2007, about two-thirds of the applications were from Poles. The second and third most frequent applicants are Lithuanians and Slovaks, with each representing about 10 per cent of the total. The remaining five A8 countries make up about 15 per cent of the total, with less than 695 applications coming from Slovenians.

The WRS data also provide information on the age of applicants. Again, referring to the period May, 2004 to December, 2007, 82 per cent of registered workers were aged between 18 and 34. Although in the early part of this period, registrations were male-dominated, more recently the sex ratio has become more balanced, with about 54 percent of registered workers being men. Only 7 per cent of registered workers state that they have dependents (mostly children) living with them in the UK. Among those who do have dependents, the average number is 1.5.

The majority of A8 workers in the UK are in low-skill jobs. Table 7 shows the “top ten” occupations of registered workers in the period July, 2004 to December, 2007. Over two-thirds are jobs that clearly do not require a high-skill level, such as factory work, catering, waiting tables and cleaning. The data also suggest that that this highly-skewed distribution has changed little over time. In the period January- December, 2007, about 72 per cent of workers earned between £4.50 and £5.99 per hour and 22 per cent between £6.00 and £7.99 per hour. It worth remembering that in this period, the minimum wage was £4.45 for workers aged 18-21 and £5.35 per hour for workers aged 22 and older. It appears that the majority of workers are paid around the minimum wage and most are in “low-skill, low-pay” jobs. In the same period, 56 per cent of workers reported being in “temporary employment”.

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 hoe 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)		

The WRS also collects information about “intended length of stay”. In the period January-December 2007, 59 per cent reported that they intended to stay “less than three months and only 8 per cent reported that they intended to stay “more than two years”. About one-quarter of the total were unsure about their intended length of stay. Although there is often a large gap between intended and actual behaviour, this evidence suggests that the bulk of immigrants from the A8 countries are not committed to stay either long-term or permanently in the UK.

Beyond what is collected by the WRS, little else is known about A8 nationals working in the UK and even less about those working in Scotland. To my knowledge there has only been one survey-based study of A8 nationals in Scotland (Glasgow City Council, 2007). This study was commissioned by Glasgow City Council and carried out in 2007. Its focus was on A8 nationals living and working in the Glasgow area. The sample was very small with only 262 completed questionnaires.

The study confirmed what has been suggested by the WRS data. The majority of workers are from Poland, are in low-skill, low-pay jobs, are young, and have few dependents. However, with respect to “intended length of stay”, the Glasgow study differs somewhat from the *WRS*. In the Glasgow sample, only 2 per cent reported that their intended length of stay was “up to 3 months”. In addition, 23 per cent reported that they intended to stay “more than 10 years”. The level of uncertainty seems to be higher with about 38 per cent reporting that they “don’t know” how long they intend to stay. Taken at face value, the Glasgow data suggest a greater commitment to stay longer term than the *WRS*, although the estimates must be viewed with some caution given the small sample size.

One area where the Glasgow study does collect new information relates to A8 nationals who are resident but not registered with the *WRS*. About two-thirds of the respondents reported either being registered or are in the process of registering. This leaves about one-third who have not applied or who are not registered. This group will include the self-employed but does suggest that the number of A8 nationals in Scotland may be larger than suggested by the *WRS*.

The Glasgow study also suggests that there is a considerable skill and education mismatch. 16 per cent of respondents report having a degree and 19 per cent report having a post-graduate degree. 12 per cent report having completed some form of apprenticeship. However, 69 per cent are in occupations that they classify as being “unskilled manual or semi-skilled manual or skilled manual”. This suggests that a large number of workers are in jobs for which they are (by any definition) over-qualified.

7. The Future of A8 Immigration?

Although there are considerable gaps in our knowledge about immigration from the A8 countries to the UK and Scotland, it is clear that the flow of people since 2004 has been considerable. The evidence suggests that the number registering with the *WRS* is falling but the numbers are still large. The dominant view is that they have made a positive economic contribution mainly through filling job vacancies in the low-paid sectors (see for example, CEC, 2006; Portes and French, 2005). Can we expect these large flows to continue into the future?

There are several reasons why this is unlikely to be the case. This first relates to the labour market restrictions that were put in place by most of the EU-15 member-states at the outset of enlargement in 2004. As mentioned above, only Ireland and Sweden allowed unrestricted employment of A8 nationals. However, as Table 8 shows, in 2006 and 2007, seven more member-states removed their restrictions on A8 employment (Spain, Finland, Portugal, Greece, Italy, Netherlands and Luxembourg). Including the UK, in population terms, 55 percent of the EU-15 currently allows unrestricted A8 employment, which coincidentally is also about 55 per cent of the EU15’s economic activity as measured by the share of total gross domestic product. There is still a large “part” of the EU where it is very difficult for A8 nationals to legally take employment.

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)		

According to the “transitional arrangements” governing the free movement of workers set out in the *Accession Treaty of 2003*, all restrictions on employment in EU-15 member-states of A8 nationals must end on April 30, 2011 (i.e. after seven years). If this happens, then almost half of the economic activity in the EU will open up. For those wishing to emigrate from A8 countries, there will be a large expansion in the choice of possible destination places. Key to this is Germany where there appears to be no intention to drop restrictions until the end of the transition period (and talk of extending these restrictions past the “legal” seven year period). Not only does Germany share a border with two A8 countries (Czech Republic and Poland), there is currently a large, established A8 population resident (particularly Polish). It therefore seems likely that once/if Germany drops its employment restrictions it will quickly become a popular destination for A8 nationals (again especially Poles). This in turn may deflect the flow of immigrants to the UK. Put bluntly, it may be the case that many, for example Poles, have immigrated to the UK (and Scotland) because they are unable to easily immigrate to Germany (see Lisenkova and Wright, 2005).

The second reason is that recent economic growth in the A8 countries has been much higher than in the EU-15 member-states taken as a group (see Table 9). Although there is a large gap in the standard of living between the A8 countries and the EU-15, if the difference in economic growth persists, then this standard of living gap will rapidly close. If migration decisions are determined largely by economic “push” and “pull” factors, then this higher level of economic growth in A8 countries should reduce the economic incentives associated with immigration.

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	

The third reason is that the supply of potential immigrants in A8 countries is not unlimited. Table 10 shows the current population totals in these countries. The current combined A8 population is about 73 million. This is less than Germany and not wildly different to France, Spain, Italy or the UK—countries with populations of over 60 million inhabitants. The population of the combined A8 countries is not “large” when compared to the “big” EU-15 member-states.

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)

In addition, the populations of all A8 countries are expected to decline in size and age rapidly over the next four to five decades. Table 10 also gives the projected population for each of these countries until 2050 (United Nations, 2007). Analogous projections are shown for 20-64 and 20-34 age groups in Tables 11 and 12. Not only will the total population decline, the potential labour supply (population aged 20-64) will decline even more rapidly, as will the pool of potential young migrants (population aged 20-34). As Figures 15 and 16 show, this is the case for both Poland and the A8 countries as a group. In these countries, the potential supply of immigrants will quickly dry up.

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)

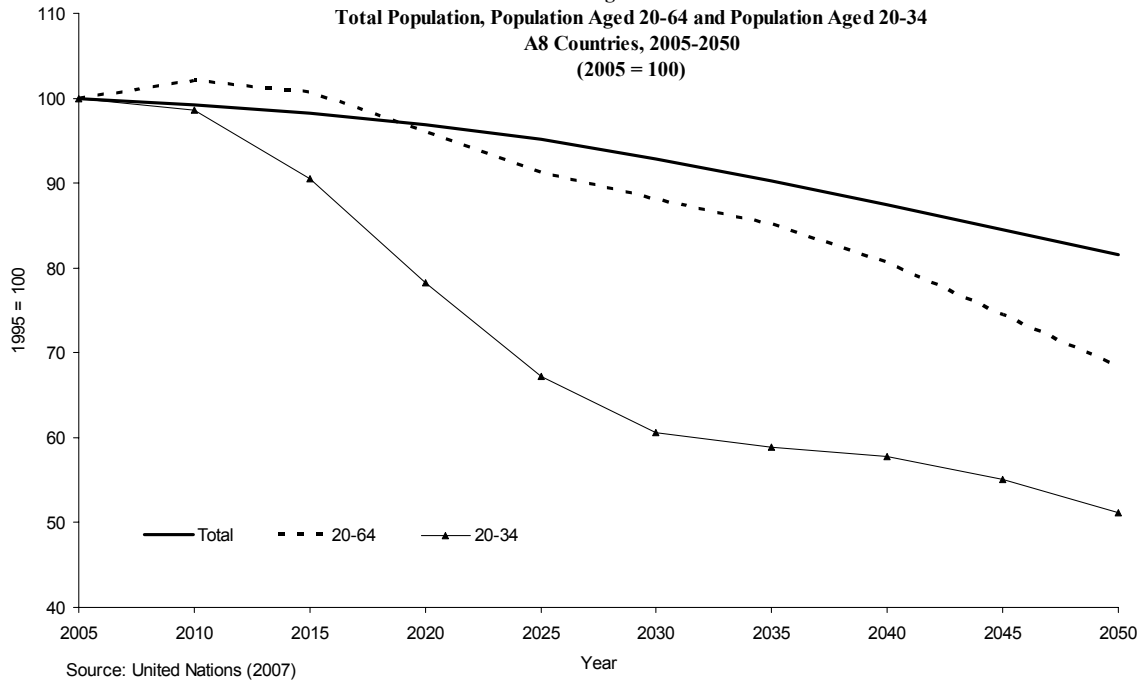
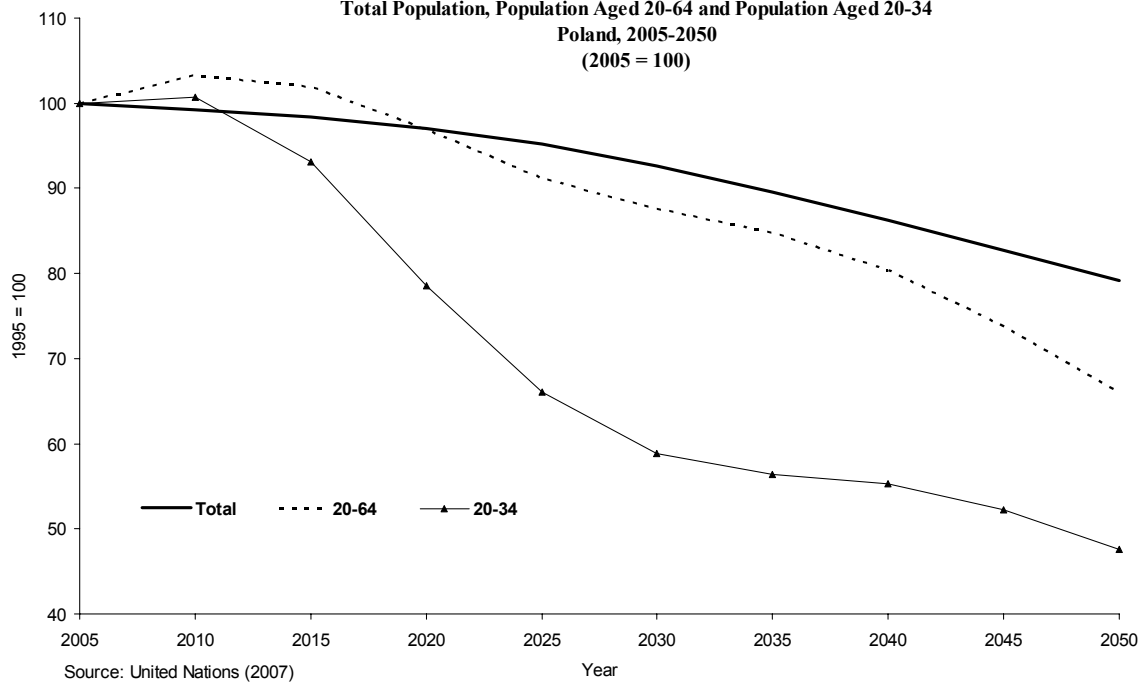


Figure 16
Total Population, Population Aged 20-64 and Population Aged 20-34
Poland, 2005-2050
(2005 = 100)



8. The Way Forward?

It is unlikely that A8 countries will be able to supply an unlimited and indefinite supply of English-speaking high-skill workers willing to work in low-skill, low-pay jobs in the wealthier EU member-states. Given this view, and given the view that attracting immigrants to live, work and stay in the UK (and in Scotland) is critical to maintaining longer term economic growth, what can be done to insure an adequate flow of people? The international labour market for workers is highly competitive. For example, Australia, Canada, New Zealand and the USA have immigration policies and systems that are very successful at attracting immigrants with the skills that are needed. What is required in the UK is a system that will allow the employers to “compete” in this international market, reduce the reliance on A8 immigration, and meet different regional demographic needs.

Much can be done to meet these objectives with the points-based immigration system being introduced in the UK. In February 2005, the then Home Secretary Charles Clarke outlined a “five year plan” aimed at changing fundamentally the way immigration to the United Kingdom is managed. Central to this plan is the adoption of a “points-based system” (PBS), where 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. If some threshold level of points is achieved, then the individual is entered into a pool of individuals who will eventually be allowed to immigrate to the UK. Although the UK Government has tended to portray this system as new and novel, it is not. It is based heavily on the system introduced in Canada in 1967 and copied by Australia in 1973.

It is worth understanding why Canada introduced such a system 40 years ago (and Australia followed shortly afterwards). Prior in time, policy was driven by country of origin preference, with applicants from Europe being at the head of the queue. It was felt that such a system was problematic for two reasons. The first is that it was clearly racist, since for obvious reasons almost all the applicants from Europe were “white”. The second is that evidence was accumulating that an increasing proportion of immigrants were not bringing with them the skills needed to accelerate the rapid economic growth that was occurring at the time.

With a points system the responsibility of policy shifts from matching “jobs to people” to matching “people to jobs”. Such a shift is desirable since immigration can be used to strategically fill job vacancies and help plug skills gaps. However, the focus of the points system is on attracting high-skill immigrants but demographic trends (particularly in Scotland) imply that both high-skilled and low-skill workers are needed. Although points-based systems appear to be effective at attracting high-skill immigrants, they generally are less effective at attracting low skill immigrants. As Manning (2004) has shown, the faster growing occupations are at both the top and the bottom of the skills distribution. Although this is a gross simplification, the low-skill, low-pay workers are supplying the services demanded by the high-skill, high-pay workers, and it is therefore not surprising that their growth experiences are highly correlated.

The UK Points-based system (PBS) will eventually replace the system that includes over 80 ways to immigrate to the UK. Table 13 shows some of the employment categories associated with this system. The old system was clearly idiosyncratic, if not ad hoc, and was both inefficient and expensive to administer. The basic structure of the PBS system is shown in Table 14. It consists of five “Tiers”, with each focussing on different types of immigrants. As Table 14 shows, only the “General” category of Tier 1 is currently up and running. It is expected that the all four of the five tiers will be in place by 2009. However, at the time of writing, there is a still a considerably amount of uncertainty with respect to the details and specifics relating to each of the tiers.

Table 13	
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	

Table 14
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		

The “Tier 1 General immigrant” category is aimed at allowing high-skill individuals to come to the United Kingdom to look for work or self-employment. Such an individual does not need an employment offer. Likewise, an individual intending to be self-employed does not need to present a detailed business plan. Such individuals when they apply to immigrate are given points for educational qualifications, previous earnings, United Kingdom experience and age. You need 75 points to qualify i.e. “jump” the first hurdle. In addition, you need to fulfill an “English language requirement”. In order to “jump” this second hurdle, a relatively high standard of written and spoken English is required i.e. a “Band 6” score on the International English Language Testing System (IELTS) or a degree from an English-language institution of higher education. A Band 6 IELTS score is similar to what most higher education institutions in Scotland require from students whose first language is not English. It is hard to judge whether 75 points is a high or low threshold but the author of this paper would score 100 points broken down as follows: MBA provision (zero points); Qualifications (50 points for PhD); Previous earnings (45 points); UK experience (5 points); and Age assessment (zero points).

It is worth noting that “Tier 3” of the UK PBS is currently suspended. This Tier is aimed at the management of lower- and low-skill immigration. However, no date has been given for when this part of system will be re-introduced. In fact there is very little discussion of this and the focus is on rolling out the remaining tiers to plan. Although few politicians will admit it, the expectation is that A8 nationals will continue to be the main source of low-skill immigration.

Will the introduction of this points system lead to lower levels of immigration to the UK? The answer to this question is a clear “maybe”. It all depends on what level the “hurdle” is set at (i.e. the minimum number of points needed to immigrate). If it is set at a low level, then immigration will increase. If it is set at a high level, then immigration will decrease. For example, Canada recently lowered its pass mark from 75 to 67 (a sizeable reduction) in order to increase immigration levels and immigration levels have increased. Therefore people who have concluded that simple introduction of a points system in the UK will lower immigration levels are clearly wrong.

The key question then becomes what will be the pass mark? In order to set this in a sensible manner, immigration targets must be set. Only after the UK Government decides how many immigrants it wants to attract can the hurdle be set at the level needed to achieve this number. In this sense, it is unclear what the basis is of the current 75 points need by Tier 1 immigrants. The governments of Canada and Australia set annual immigration targets, and the only responsibility of their immigration services is to deliver the specified number of people. Although the UK Government is reluctant to specify targets, it is something that they will eventually have to do if the points system is going to be effective.

One view is that the pass mark will be set at a relatively high level which will make the UK an even more difficult country to immigrate to for people outside the EU. In the last national election, all three major political parties committed themselves to reducing immigration levels “if elected”. It is not difficult to understand why they made such promises. The bulk of immigrants still settle in London and the South-east of England. It is also a part of the country where anti-immigration sentiment is growing. It also happens to be the area of the country where General Elections tend to be won or lost given about 25 per cent of the UK population is concentrated there.

What does all this mean for Scotland? The question then becomes 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 the UK Government appears to want)? At first these policy objectives may appear to be totally incompatible. Immigration policy is set for the UK “as a whole” by the UK Government and any policy that reduces immigration to the UK “as a whole” will also reduce immigration to Scotland. This will certainly be true unless immigrants to the UK are required to reside in a particular region. However, there is nothing in the points-based system that takes into consideration the different demographic conditions that exist across the UK, and there is certainly no serious discussion of residence requirements.

It is in fact easy to achieve the goals of increasing immigration to Scotland and at the same time reducing immigration to the UK with a points-based immigration system. Again the UK Government does not need re-invent the wheel but simply to borrow more from the immigration system in Canada, where additional or bonus points are allotted to those individuals agreeing to reside in a particular geographic region for a minimum period of time.

Regional differences are a key feature of Canadian immigration policy. These differences are reflected in the immigration system. Nine of Canada's ten provinces (and one of its territories) have agreements with the federal (Ottawa) government relating to immigration which take into consideration specific provincial (territorial) requirements. Eight have negotiated what are termed "Provincial Nominee Programmes". In practise these programmes mean that applicants with certain skills get "bonus points" if they agree to reside in these provinces for a minimum period of time. The only province that does not have some sort of agreement with the federal government is Ontario, a province that does not need any "help" in attracting immigrants, since it has been the main destination of immigrants to Canada over the past few decades.

The Canada-Quebec Accord (CQA) goes one step further and essentially devolves responsibility for immigration to the province of Quebec. In this arrangement, potential immigrants apply directly to the Province of Quebec and not the Dominion of Canada. The CQA is also a points-based system. However, the weighting is different, as is shown in Table 15. Essentially the CQA system awards fewer points for education/qualifications/employability and more points for knowledge of the French language. Quebec "picks" the immigrants and the federal government issues the visas and work permits.

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

The UK points-based system could easily and quickly be modified along these lines to meet Scotland's needs by allotting more points to applicants who agree to work and live in Scotland. Immigrants to Scotland would be issued a work permit that stipulates that they must work (and reside) in Scotland. The period of this permit should be for five years after which the individual can apply for citizenship. With citizenship the individual would of course have the legal right to work anywhere in the UK or the EU. It is recognised that once a person immigrates to a particular region, after two years of residence the probability of moving elsewhere drops off dramatically. In other words, if you get people to a particular region in the first place, there is a high probability that they will stay permanently.

This simple modification will only work if the government is serious about enforcing the terms of the residence requirement. Those who fail to do so would have their work permit revoked and would no longer have the right to work. Since a "deal is a deal", the government must be prepared, as a last resort, to deport those who fail to live up to the agreement (as they do in both Canada and Australia). Given the UK Government has promised to be "tougher" on refugees and asylum seekers in terms of enforcing deportation orders, this does not seem to be a massive leap forward in "policy".

As it stands at the moment, there is absolutely nothing in the UK points-based system that will make it easier for the Scottish Government to deliver on its promise of reversing Scotland's population decline. There is nothing in it that will attract people to Scotland. The Government's electoral promise to reduce immigration to the UK will also reduce immigration to Scotland.

9. Conclusions

It is my view that both Scotland and the UK have benefited from recent high levels of immigration. Research suggests that immigrants make a positive contribution to economic growth and there is little evidence that immigrants "steal" jobs away from native-born individuals. If anything, there is mounting evidence that A8 nationals have taken jobs that would have remained unfilled. Likewise, such workers seem to be prepared to take lower rates of pay than what employers are required to pay native-born workers.

Self-employed A8 nationals are not required to register with the WRS. Therefore, little is known about the socio-economic characteristics of this group. However, it appears from anecdotal evidence that the number of self-employed A8 nationals in Scotland may be substantial. The data from the survey commissioned by Glasgow Council (2007), found that about 3 per cent of A8 nationals are self-employed. Taken at face value, this rate is considerably lower than the rate for the Scottish population as a whole. However, it is likely that those in self-employment have a better skill-match. If this is the case then this should lead to increased interest in staying longer term in Scotland. Although this is a rather speculative remark, if these workers stay longer term they will make an important contribution to entrepreneurialism and economic dynamism, which are both central to generating economic growth. This is an issue that needs urgent research.

Immigration from A8 countries is not a long-run solution to Scotland's demographic deficit and therefore it should not be encouraged. Although having high-skill individuals filling low-skill, low-pay jobs is a short-term boost to output it is a risky strategy to attempt to pursue indefinitely for three reasons. The first is that it is based on the belief that the supply of such "cheap labour" is unlimited. For reasons argued above, this is unlikely to be the case and it appears that the flow of workers from these countries is slowing down. The second is that it will likely hamper the development of the new points-based immigration system to encompass low-skill workers. For example, it could prolong the suspension of the "Tier 3 workers" component of the system (see Table 14). The third is that it provides incentives for employers to invest less in training and human capital in the domestic labour force. For example, according to the 2001 Census, there were about 20,000 people in the 16-19 age group who were unemployed, with the majority having no qualifications beyond a basic school leaving. Such groups could be left behind.

Bulgaria and Romania joined the EU on January 1, 2007. The population of Bulgaria is about 7.7 million while the population of Romania is 21.6 million. However, unlike A8 nationals, Bulgarians and Romanians are not free to move to the UK for the employment purposes. They are subject to a series of restrictions which require them to obtain a work permit called an "accession worker card". At the time of enlargement, high-skill migrants were subject to the rules and regulations laid out in the so-called *Highly Skilled Migrant Programme*. A quota system was also put in place for low-skill workers (such as agricultural labourers).

In the period January-December, 2007, for the UK as a whole there were 5,070 work permit applications by Bulgarians and Romanians, with the majority being for low-skill jobs (Home Office, 2008b). Of this total, 2,775 applications were approved (54 per cent). Only 225 of the approved applications were for jobs in Scotland. This implies an application rate of about 230 applications per million population. The application rate to the WRS by A8 nationals in the same period was around 2,900 applications per million population (i.e. over ten times larger). Until these employment restrictions are dropped, Bulgaria and Romania will remain a trivial source of immigrants to the UK (and Scotland). On October 30, 2007, the UK Government announced that these restrictions are being extended to at least the end of 2008.

With respect to future EU enlargement, there are currently three officially recognised "candidate countries": Croatia, Macedonia and Turkey (EC, 2008). However, no date for entry has been decided for any of these countries. The combined total population of Croatia and Macedonia is about 6.6 million people. However, the populations of both of these countries are declining and ageing rapidly. It seems unlikely that these two countries will be a major source of potential immigrants in the future. Turkey is clearly different. Its current population is 73 million. This is larger than any current EU-member state with the exception of Germany (c. 82 million). In addition, the population is much "younger" with a high proportion of the total in the younger age groups. Turkey is a country that could be a major source of workers (and particularly "young" workers) to the ageing EU labour force (see Lisenkova and Wright, 2005).

However, there is strong opposition against the entry of Turkey from several EU-member states (most notably Austria and Germany). Because of this opposition it seems likely that Turkey will not be able to join the EU for some time to come. It is worth noting that there are five officially recognised “potential candidate” countries: Albania, Bosnia and Herzegovina, Montenegro and Serbia (including Kosovo). The combined population of these countries is around 17.5 million. Like most other countries of Eastern Europe, their populations are declining and ageing rapidly and it also seems unlikely that any of them will be major source of future immigrants.

The introduction of a points-based immigration system in the UK is potentially a positive development for Scotland. However, in its current configuration it is a UK-wide system and is not sensitive in any serious ways to regional differences. South of the border, there is a view amongst politicians that “immigration to the UK is too high”. Therefore, it is my view that the PBS immigration system will be used to lower immigration to the UK from countries outside the EU. Since the system has no regionality built in to it, it will also lower immigration to Scotland. Noting that immigration from the A8 countries is slowing down, immigration from Bulgaria and Romania is trivial, and it appears that the EU is not going to be enlarged soon (especially with respect to Turkey), it seems unlikely that Scotland can rely on large immigration flows in the future. In addition, the majority of immigrants come from outside the EU, with the countries of the New Commonwealth being the most important in terms of numbers. Nationals of these countries are now subject to the new points-based system and it is difficult at this point in time to conclude whether numbers will go up or down.

It is somewhat surprising that the UK Government praises the Canadian and Australian immigration systems yet at the same times ignores the fact that regionality is a cornerstone of both. Scottish specificity could easily be built in through bonus points or lower thresholds for those who agree to live, work and stay in Scotland for a minimum period of time. Or the responsibility for immigration could be transferred to the Scottish Government along the lines of the Canada-Quebec Accord. It is important to stress that in both Canada and Australia the system of bonus points/lower thresholds has been in place for two decades. The Canada-Quebec Accord came into effect on April 1, 1991. It has been in place for nearly two decades and has proven to be robust in the sense that it has not been revised in any major way since its introduction. In fact, points-based systems with regionality operate better than country-wide systems. Systems of the later type simply attract immigrants to areas with high immigrant concentrations, since chain migration is a feature of unrestricted or unmanaged migration flows. In this sense, modifying the UK PBS is not a situation of applying principles that are in any sense “new and unproven”—it is only a matter of political will. In a nutshell, it would require some degree of devolution of responsibility for immigration matters to the Scottish Parliament.

It is hard not to conclude that Scotland would be more effective at attracting and retaining immigrants if it was an independent member-state of the EU. If this was case it would need to have some form of immigration system. It could introduce a points-based system where points are allocated in a manner more attuned to the needs of the Scottish economy (and not the needs of the economies of London and the South-east). In such a system, regionality would be less important but it would be prudent to award bonus points (or have lower thresholds) for those willing to reside in areas outside the central belt. As an independent member of the EU, the Scottish Government would be free to place whatever labour market restrictions (if any) it felt necessary as a consequence of future EU enlargement. In this respect, the Scottish reaction could be very different to that of the UK Government for the rest of the UK. Finally, Scotland would be free to choose whether it wished to participate in any developments at the EU level aimed at making it easier for people with the needed skills to live and work in the EU. The so-called “EU Blue Card” system, which is based around the USA “Green Card” system, is one such development. However, the UK Government has made it clear that the UK does not want to be part of this system, and therefore the UK Government has also decided that Scotland does not want to be part of it either.

Much was made by Jack McConnell and the former Labour Government about the so-called *Fresh Talent Initiative* (FTI) introduced in Scotland in February, 2004. The initiative had essentially four policy strands: (1) Promoting Scotland as a place to live and work; (2) Promoting Scotland as a destination for people applying for UK work permits; (3) Improving first impressions of Scotland on arrival; and (4) Encouraging students at Scottish universities to stay in Scotland. The first three strands were essentially about spending money on portraying Scotland as a good place to live, work and stay. The fourth strand was to be achieved by the issuing of two year work permits (instead of the normal one year) to foreign students who wished to stay and work in Scotland after graduation. Even though the FTI was a positive development, it would never generate the number of people needed, even if all foreign graduates stayed indefinitely and growth in the numbers of foreign student continued to grow rapidly. Since this programme is to be rolled out to the rest of the UK (and eventually absorbed into the points-based system) it will shortly cease to be a “Scotland-specific” policy.

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