

Taking Scotland out of the immigration target

FAST FACTS

- Scotland's General Fertility Rate in 2016 was lower than every other country and region of the UK.
- Over the next 25 years the number of births minus the number of deaths in Scotland is projected to be negative. All increases in population will be due to migration.
- ONS projections for the whole of the UK indicate the old age dependency rate will increase from 305 in 2016 to 370 in 2041. The National Records for Scotland has projected that in Scotland the ratio will increase from 307 to 380.
- The Scottish Fiscal Commission has commented "*The size of the population aged 16 to 64, which makes up most of the working age population, is very important for the economy and public finances. These individuals are more likely to be working and will be generating the highest tax receipts, for example, in income tax*"
- The UK Government has relaxed immigration rules to allow more non-EU doctors and nurses into the UK, excluding them from the visa cap to address skills shortages in the NHS.
- The UK Government's policy of a net migration target also does not fit with Scotland's needs for more immigration. It would make sense for the UK Government to extend this relaxing of the rules to include people coming to Scotland.

CONTEXT

In Reform Scotland's report 'State of the Scottish Economy' we highlighted different economic indicators across the different regions and countries of the UK. The one area where Scotland fell behind every other region was our General Fertility Rate.

The Scottish Government's report 'Scotland's population needs and migration policy', published in February 2018, highlighted that over the next 25 years, the number of births minus the numbers of deaths is projected to be negative. All of the projected increase in our population will be due to migration.

Scotland needs immigration. We need more working age people to contribute towards public finances in order to be able to afford to meet the costs of our public services. We need to attract people to come and live and work in Scotland. We need to attract families. And we need policies that will encourage that immigration.

On 14 June it was announced that the UK Government was relaxing immigration laws to allow more non-EU doctors and nurses into the UK by removing them from the visa cap. This is in part to address problems filling vacancies in the NHS. However, it was an indication of the Government recognizing a problem in the current immigration system and changing the rules to reflect that.

The same needs to happen in Scotland. Scotland is facing a different population situation from the rest of the UK and is more dependent on immigration for population growth, which in turn helps generate tax receipts. Removing Scotland from the visa cap could help relieve that pressure.

It goes without saying that it is good news that people are living longer. Older people contribute a great deal to society, both economically and socially, so that alone is a cause for celebration, not for concern.

The Office for National Statistics population projections⁴ for the whole of the UK has indicated that the old age dependency rate (the number of people of State Pension Age per 1,000 working age) will increase from 305 in 2016 to 370 in 2041. This increase is despite changes to the State Pension Age over that period. The number of working age people will increase by 7.8% over the period, but the number of pensioners will increase by 31%. The National Records for Scotland has projected⁵ that in Scotland the old age dependency ratio will increase from 307 to 380.

In other words, Scotland's population is getting older and we're having fewer children. A projection that is likely to continue. And that can have a big impact on public finances.

The Scottish Fiscal Commission has commented "*The size of the population aged 16 to 64, which makes up most of the working age population, is very important for the economy and public finances. These individuals are more likely to be working and will be generating the highest tax receipts, for example, in income tax*"⁶

⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/population>

⁵ <https://www.nrscotland.gov.uk/files//statistics/population-projections/2016-based-scot/pop-proj-2016-scot-nat-pop-pro-pub.pdf>

⁶ Referred to in Scottish Government's immigration report but sourced: Scotland's Economic and Fiscal Forecasts December 2017", available at fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts/scotlands-economic-and-fiscal-forecasts-december-2017/

ANALYSIS

The fact that immigration is reserved to Westminster should not be an issue. It is a Westminster responsibility; therefore Westminster should be acting accordingly. There is no reason why Westminster cannot create an immigration system which takes Scotland's different situation into account.

It is important to remember that this has been done before, through the Fresh Talent initiative.

The previous Labour and Liberal Democrat coalition government in Scotland, working with the then Labour UK Government, introduced Fresh Talent in 2005. This was a post study scheme administered by the Home Office that allowed international graduates of Scottish universities to remain in the country after the end of their course of study to live and work for up to two years. This policy was intended to both support economic growth and mitigate demographic pressure. The programme ran until 2008, when it was mainstreamed into the newly-implemented UK points based immigration system. Post-study work was then ended in 2012 by the Conservative and Liberal Democrat coalition government.

The Smith Commission recommended that the Scottish and UK Governments explore the possibility of re-introducing a post-study work route.

It is worth highlighting that since the days of the Fresh Talent scheme, Scottish taxpayers are now separately identified within the UK's tax system.

Currently the Scottish Shortage Occupation List within the UK immigration system allows

the different needs for Scotland to be taken into account. However, the Scottish Government has not formal role regarding what occupations are considered in the shortage in Scotland. The Home Secretary makes the decision on the basis of advice from the Migration Advisory Committee, though the Scottish Government can contribute to that process as a stakeholder.⁷

In February 2018 the Scottish Government published the discussion paper ‘Scotland’s Population needs and migration policy’, which suggested a number of different ways in which a UK immigration could take account of Scotland’s needs.

It is worth drawing a parallel in the UK Government’s attitude to devolving corporation tax to Northern Ireland and the demographic pressures facing Scotland.

The UK Government devolved the tax to Northern Ireland, meaning there would no longer be a single corporate tax rate for the UK. The Government claimed a special case was needed for Northern Ireland because of the unique and different circumstances they faced – on that occasion it was because Northern Ireland faced a far lower corporation tax regime across its land border and the economy was in need of growth, so the UK Government acted to help Northern Ireland.

It is a similar situation in Scotland with regard to immigration. Scotland is facing demographic pressures that are more severe than the rest of the UK. Our population growth is dependent on migration. We have a specific situation that differs from the rest of the UK that has an impact on our economy; just as Northern Ireland did with corporation tax.

⁷ Scottish Government, “Scotland’s population needs and immigration policy”, February 2018

Therefore, the UK Government should act to address Scotland’s situation, just as it did with Northern Ireland’s.

POLICY RECOMMENDATIONS

It is an unavoidable truth that Scotland needs more working age people. We have an aging population and we need to strengthen our tax base.

As the population figures in this briefing highlight, Scotland’s population is only increasing at all because of immigration. While changes in childcare policies may help encourage our birth rate, which may lead to more tax payers in the longer term, immigration brings tax payers now, not in the future.

The simple fact is that Scotland needs more immigration, and because the situation elsewhere in the UK is different, Scotland’s specific needs need to be addressed in immigration policy. It is not so radical to consider the immigration situation in Scotland differently to the rest of the UK as it has done this before though initiatives such as Fresh Talent, and it must do so again. With Scottish income tax payers now separately identified, it is now even easier to do so.

It is to be welcomed that the UK Government recognized that the current visa cap was hampering the NHS’ ability to attract staff and therefore acted accordingly. But it needs to do the same with regard to Scotland.

Westminster has responsibility for immigration in Scotland and it needs to recognise a different solution is required. As a basic first step this requires removing Scotland from the figures for the immigration target, just as it did for the NHS.