

Entry Points:

Making a Success of Immigration to
Scotland

Heather McCauley



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Heather McCauley

Heather McCauley is a former senior civil servant who has worked for the New Zealand and Scottish Governments and the UK Parliament. Her roles have included policy advisor to two New Zealand Prime Ministers from 2001 to 2012, during which time she advised on a ‘root and branch’ review of immigration policy and delivery as well as a wide range of related economic and social policy issues. Heather also brings a first-hand knowledge and understanding of the Scottish context, having worked as a senior civil servant in the Scottish Government from 2012 to 2016. Heather currently works independently, advising public sector leaders on medium-term strategy and organisational change, and undertaking short-term policy and research projects.

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Foreword

Immigration is one of the most controversial policy areas in British life. It was in part responsible for the Brexit vote of 2016, and is often used by populists to sow discord. Westminster politicians shape-shift constantly as they attempt to match their position to the often hostile views of parts of the electorate – too soft or too tough? How many immigrants are enough? What will be the impact on jobs and public services?

Much gets lost and misrepresented in the heat of debate, and so this paper is an attempt to look through and beyond the headlines and the political game-playing that surround immigration. In contrast to Westminster, there is a broad consensus at Holyrood that Scotland should welcome more immigrants – “Scotland is not full up” - but there is also some dispute as to how this is best arranged. Regardless, a sense of realism is needed when it comes both to managing expectations about any positive or negative impacts, and to preparing policy in such a way that it smartly anticipates the opportunities and challenges increased immigration might bring.

We have looked at examples of migrant-receiving countries that bear some similarity to Scotland. All have benefitted in certain ways, and all have faced difficulties that have had to be managed. Reform Scotland is in favour of greater immigration - for economic, demographic and cultural reasons - but we also think it wise that Scotland learns from what has happened elsewhere. That way it will be well-placed to make a success of such a policy and stand a better chance of avoiding the pitfalls that have been witnessed elsewhere.

**Chris Deerin,
Director
Reform Scotland**

How might the experience of migrant-receiving countries inform the debate about migration policy for Scotland?

Changes to the way we live and are governed, in response to the Covid-19 pandemic, are the most significant that many of us have seen in our lifetimes. The immediate focus of governments has been on mitigating the health and economic impacts of the pandemic, but the context for, and operation of, the subject of this paper – immigration – has also changed profoundly.

However, the world will in time return to something like normal and we believe this paper is a timely contribution to the debate about the contribution immigration could make to Scotland, outlines factors to consider when deciding what level and mix of immigration is right for Scotland, and explores how Scotland could maximise the benefits of immigration within whatever wider policy is set.¹

What can we draw from the experience of others?

The experience of ‘traditional’ migrant-receiving countries over recent decades provides a guide to the kind of impacts that immigration could have in Scotland as the Covid-19 crisis abates or we adjust to a ‘new normal’. It also points to a number of issues that Scotland would need to weigh up carefully in deciding what level and mix of immigration it aspires to achieve – whether this is through policy differentiation or other types of programmes and initiatives.

This is groundwork that could and should be done before policy change is sought or initiatives designed. It needs to occur in close consultation with communities to shape an approach that will genuinely benefit – and be seen to benefit – the people of Scotland, as well as migrants themselves.

The experience of countries such as Canada, Australia, New Zealand and the US shows that **immigration programmes have, on balance, been beneficial** for these countries **but the size of these benefits has been relatively small**. Work-related immigration has typically had positive but small impacts on GDP per capita, for example, while the impact on objectives such as productivity improvement and innovation has been highly dependent on the wider context in the receiving country.

This suggests that **immigration is worth having, but with realism about what it can contribute to national outcomes**. Overstating its potential risks diverting attention from other policies - often difficult policy choices - that are much more important. Like other countries, Scotland needs to be careful that immigration is not used as a way of avoiding issues around the quality of education and skills training, or of wages and conditions for workers. Efforts to address depopulation and poor economic

¹ This paper focuses on work-related immigration, rather than schemes that facilitate students or visitors to come to a country; humanitarian migration is not considered, given its very different motivations and objectives. The paper assumes that Scottish Governments are operating within the wider UK policy framework but may wish to advocate for policy differentiation or further devolution within this, as well as pursue initiatives within their areas of devolved responsibility.

performance in regions or rural areas, in particular, need to address the root causes of these problems rather than see immigration as a 'fix all'.

This paper also argues that **policymakers need to be clear about their goals for immigration** and the **scale and mix of migration required** to achieve them. Growing the population as a goal in itself, or as a means to economic prosperity, is problematic – on a range of indicators, 'bigger' is not necessarily 'better'. Using immigration to increase scale and agglomeration and increase per capita GDP may require a very significantly larger, more diverse and more concentrated population. This may not be feasible and, if it is, the scale of this transformation and the costs, including fiscal and environmental costs, would need to be understood and agreed by the people of Scotland.

Policymakers also need to consider **the way that impacts will be distributed**. This will vary between people and places, and over time. Impacts, both positive and negative, will often be very locally 'felt.' Short-term impacts, such as pressure on infrastructure and public services, may obscure longer-term effects such as greater innovation and productivity. Modelling the scale of immigration required to achieve desired outcomes and understanding its likely impact across the country and society over time is critical if Scottish people are to be able to make informed choices about the level and mix of immigration that is right for them.

This paper highlights a range of other issues that need to be worked through to inform any Scottish approach. In particular, **the mix or composition of migration will matter for outcomes**, along with conditions in Scotland and the UK at the time that people migrate. Entry criteria and eligibility for publicly funded services will determine who carries the risks and costs of poor outcomes.

There will be a balance to strike, for example, between immigration that could contribute to productivity goals and responding to employer demand for lower-skilled/paid labour. Initiatives that attract migrants who are 'complements to' rather than 'substitutes for' existing workers are more likely to avoid displacement of locals and increase the likelihood that immigration will raise productivity. If increased migration to sustain remote and rural communities involves lower entry criteria, it may involve a trade-off with national-level productivity goals. This means thinking carefully about who Scotland wants to attract, including both principal migrants and any family members.

This paper also argues that, at any given time, **there is a limit to what could loosely be thought of as a country's 'absorptive capacity'** to ensure successful outcomes for migrants and existing residents, particularly where an increase in population occurs quickly. This includes the capacity of the economy, infrastructure, public services and environment to accommodate a larger population, along with public attitudes towards migrants. Such capacity is not fixed and is a matter of political choice (although it may be difficult to increase quickly), but immigration will be more successful and sustainable if the level of absorptive capacity is understood, and *either* the scale of immigration adjusted in response *or* investments made to support a larger population. This also relates to whether – and if so, how – a country wants to vary its immigration programme in relation to the economic cycle.

Given Scotland's particular circumstances as a devolved nation, with a number of remote and rural areas experiencing depopulation and economic challenges, the paper also considers the international experience of regionally differentiated policies. This suggests that **differentiated policies are feasible, but the arguments are strongest for peripheral areas that would otherwise struggle to attract migrants**. Such policies can help to attract migrants but it is very difficult to retain them unless other conditions are optimal.

The arguments for differentiation for an entire devolved nation such as Scotland are less strong. Clearly, there are particular sectors, occupations and salary levels where requirements and conditions in Scotland are different to those in the UK as a whole, or the south-east in particular. This, however, argues for sector- or occupation-specific policies rather than a lower bar for entry across the board. Any differential policy that provided on-going settlement rights across a wider entity (e.g., all of Scotland or the wider UK) would have implications for that wider entity that need to be taken seriously.

While some policy differentiation within the wider UK framework may well be appropriate, **there is also much that Scotland could do within existing settings to influence its immigration flows and migrant outcomes.** The OECD has found, for example, that for EU countries it is not the migration frameworks or specific entry criteria that pose the greatest barriers to skilled migration but difficulties in matching international candidates to jobs. Facilitating job matching and initiatives to smooth the recruitment and settlement process for migrants may do more to increase the level and success of immigration to Scotland than policy change.

Finally, this paper encourages Scottish policymakers to **develop a transparent framework and 'real-time' evidence base** to inform a conversation with Scottish communities about the right level and mix of immigration for Scotland at any given time. This needs to include **a precise definition of what success looks like**. In the end there is no right or wrong answer to the question of what immigration is best for Scotland; fundamentally, this is a question about the kind of country Scotland wants to be, which can and should only be decided by the people of Scotland themselves.

And in the short-term?

While this paper focuses on experience over the longer-term, it would be remiss not to add some brief comments about the dramatically changed context in which we – and the migrant-receiving countries considered in this paper – have found ourselves since the outbreak and spread of Covid-19.

Clearly, **Covid-19 has fundamentally impacted economic demand in migrant-receiving countries, and will continue to do so.** All countries considered in this paper have or expect to see a significant reduction in demand in some areas of the economy, business closures and a period of high unemployment. On the other side, some businesses and sectors that continue to experience high levels of demand and have become reliant on migrants – either for high-skilled roles, or for a large proportion of

their workforce – may struggle to meet demand while immigration is more constrained or costly.

In each case, **the impact on immigration flows will depend in part on countries' relative performance and conditions.** Immigration is usually driven by both 'push' and 'pull' factors and it is the relative performance of countries, particularly the relative economic performance and its impact on the availability of jobs, that is a key driver. In this new context, relative health performance may also become a point of competitive advantage (or disadvantage) for countries seeking to attract high-skilled and highly sought-after workers, in particular.

Public health and economic conditions may also impact on public attitudes towards immigration in the short-term, although exactly how is hard to judge. People may support stricter border controls as part of the public health response to Covid-19 and reductions in numbers of migrants if they are seen to be competing for jobs with locals at a time of high unemployment.

On the other hand, many migrant workers have been at the forefront of the pandemic response, as nurses, care workers, grocery or agricultural workers, with greater recognition of their importance as 'key workers'. Attitudes towards immigration already vary according to the 'type' of migrants being considered; Covid may further focus this on particular types of jobs, skills or sectors that have a high social value as well as some of the jobs that provide economic value.

In the short-term, immigration has become more difficult and costly. The countries considered in this paper have put various types of travel bans in place, as have most OECD countries. Where immigration is still possible, more expensive air travel together with quarantine or self-isolation requirements have significantly increased its costs. A country like New Zealand has moved from a decade of historically high net migration gains, large numbers of temporary arrivals and the fastest population growth in the OECD, to a largely closed border.² In Australia, net migration has dropped to negative levels for the first time since the Second World War.³

The Covid-19 pandemic may also exacerbate the trend of falling fertility rates in some countries, further contributing to a slowing of population growth and its economic

² Entry to New Zealand has been restricted to returning New Zealand citizens or permanent residents and family members of citizens, with only a very small number of exceptions. All people seeking to enter must first secure a place in a managed isolation facility (quarantine) and remain there for a minimum of 14 days. In practice, flows are limited by the capacity of quarantine facilities with fewer than 8,000 places currently available. NZ is, however, still maintaining a low level of positive net migration due to unprecedented numbers of citizens returning home. See <https://covid19.govt.nz/travel-and-the-border/border-restrictions/>; https://www.stats.govt.nz/topics/migration?gclid=Cj0KCCQjwufn8BRCwARIsAKzP695jMYeosX9rADV85TAcFctykSLeGVd17_XuFwvIKIo2RO94616T2UgaAnK2EALw_wcB

³ The Australian Government has imposed a travel ban on non-permanent residents and non-citizens entering Australia. While employer-sponsored residence applications are exempt, the Government expects positions to be advertised before an application is lodged, to ensure that job opportunities for Australian workers are being prioritised. Net overseas migration is projected to fall from around 154,000 persons in 2019-20 to around -72,000 persons by the end of 2020-21 due to international travel restrictions and weaker labour markets. See Statement Two: Economic Outlook at <https://budget.gov.au/2020-21/content/bp1/index.htm>

consequences. A recent Brookings Institute article argued that Covid-19 will likely lead to a “large, lasting baby bust” in the US.⁴ Covid-19 may also accelerate other existing demographic and economic trends, such as out migration from rural areas, particularly where tourism is a significant employer. The Fraser of Allander Institute has noted that out-migration from rural areas of Scotland will make it harder for communities to get back on their feet when the immediate crisis passes.⁵

Business responses to more constrained or costly immigration are also hard to predict. Some firms will go out of business, other will adjust their wages, conditions or training offers to attract more locals, others will deepen their capital investment. All three could be expected to lift productivity in affected sectors. Largely closed borders in New Zealand, for example, have prompted agricultural industries to try to recruit locally, including taking steps to increase the attractiveness of jobs and to recruit young people from urban areas.⁶ There are also reports that Covid is accelerating a move to robots and automation across a range of industries.⁷

In countries like Scotland, where the public sector is a significant proportion of the economy, **the responses of Government as an employer or funder of jobs will also determine outcomes** – the UK’s Migration Advisory Committee recently called for wages in the social care sector to be increased “as a matter of urgency”, for example, to make these jobs more attractive to UK workers and enable recruitment of necessary staff, rather than relying on migrants, particularly during the ongoing Covid-19 pandemic.⁸

Some of the countries considered in this paper are seeing **immigration as a critical part of their post-Covid recovery.** The Australian Government, for example, has announced that it is increasing places in some visa categories in order to attract the “best and brightest” migrants back to Australia.⁹ The recent Logan Review of the Scottish tech ecosystem noted that mechanisms to attract international tech talent to Scotland, such as a visa similar to the H1-B Visa in the US, are highly desirable to widen the ‘funnel’ of talent, alongside improvements in the school and university systems.¹⁰

Others are **diversifying the type of immigrants they are targeting.** Some small territories or nations such as Bermuda, Barbados, Georgia and Estonia, are creating new

⁴ <https://www.brookings.edu/research/half-a-million-fewer-children-the-coming-covid-baby-bust/>

⁵ <https://fraserofallander.org/scottish-economy/the-coronavirus-what-does-it-mean-for-people-businesses-and-the-economy/>

⁶ See, for example, <http://wellington.scoop.co.nz/?p=132048>

⁷ See, for example, <https://www.rnz.co.nz/programmes/the-detail/story/2018765916/fruit-picker-shortage-reaches-new-levels>; <https://itbrief.co.nz/story/covid-19-will-accelerate-widespread-adoption-of-robots-report>

⁸ <https://www.gov.uk/government/news/migration-advisory-committee-reviews-shortage-occupation-lists>

⁹ <https://www.sbs.com.au/news/australia-s-net-migration-intake-drops-to-negative-levels-for-the-first-time-since-world-war-ii>

¹⁰ Logan, M. (2020). *Scottish Technology Ecosystem Review*. (25 August). Independent review commissioned by the Scottish Government. Available at: <https://www.gov.scot/publications/scottish-technology-ecosystem-review/>

visas targeting “digital nomads” – those who are able to work remotely, in part as a way of buffering hard-hit tourist sectors.¹¹

On the other hand, there have also been calls for governments to use the disruption arising from Covid-19 as **an opportunity to reset their immigration policies** – to look more closely at what they want immigration to achieve, and what kind of immigration and related policies would do most to enhance the wellbeing of their societies.¹² This includes moving away from policies that support the retention of low-wage labour-intensive business models.

Others have called for a broad discussion about **how much cross-country mobility is actually desirable** when weighed up against the risks of pandemic outbreaks every few years,¹³ adding to existing arguments that the pre-Covid-19 aviation industry, whose cheap flights underpinned temporary migration in particular, was unsustainable in the light of global warming.

The extent and speed with which governments restrict or open up immigration, and the type of migrants they target, will therefore have an impact on their countries’ economies (employment and productivity) and wider wellbeing in ways that are not straightforward. If immigration remains more constrained and costly for a period, some of the points made in the main body of this paper – that the mix of migrants matters for outcomes, that the costs and benefits of different types of migrants needs to be clearly understood – will only become more important.

While Scotland may be focused on the immediate challenges of Covid-19, therefore, it is also **an opportune time to consider what level and type of immigration Scotland aspires to have in a post-Covid-19 world**. We hope this paper is a useful contribution to that debate.

Heather McCauley

¹¹ See report at <https://www.bbc.com/worklife/article/20200824-the-new-residency-schemes-inviting-workers-abroad>

¹² See, for example, Wilson, P. and Fry, J. (2020). *Migration after Covid-19 – NZIER Insight 89*. [7 July]. Available at: https://nzier.org.nz/static/media/filer_public/4c/e8/4ce8c305-09f5-42f1-b971-436443f26c4a/nzier_insight_89_migration_after_covid-19.pdf

¹³ See, for example, Voth, J. (2020). *Trade and travel in the time of epidemics*. Chapter 10. Available at: <https://voxeu.org/content/economics-time-covid-19>

Introduction

Purpose

This paper has been commissioned by Reform Scotland to contribute to the debate about immigration's role in building the economy and population in Scotland. It explores what we might learn from the experience of the traditional migrant-receiving countries about how immigration could, or is unlikely to, contribute to national and community outcomes.

Immigration has become a central focus of public and political debate in the UK in recent years in the context of the EU Referendum, with its call to "take back control" of the country's borders, and debates about how best to respond to differences in the geography, demography and economies of different parts of the UK. This paper is a contribution to discussion about what part immigration could or should play, or not, in Scotland's future development.

Scope and focus

The paper considers the international evidence on immigration, particularly from the traditional 'settlement' countries of Australia, Canada, New Zealand and the US. It draws particularly on evidence about the New Zealand experience, given its similar population size and age profile to Scotland and position as a small economy in close proximity to a larger neighbour.

The paper focuses on work-related immigration, rather than schemes for students or visitors. Most work-related migration is for the purpose of employment – while countries usually have programmes for business, entrepreneurs or investor migrants, the numbers involved tend to be much smaller.

The paper also focuses on longer-term migration, given the Scottish Government's interest in attracting people to live and work in Scotland permanently. The distinction between 'permanent' and 'temporary' migration is, however, increasingly blurred. Many people move to another country to work temporarily, and some subsequently become permanent. Conversely, a significant minority of permanent migrants will re-migrate elsewhere or return to their home country. In most traditional migration countries, the volume of temporary immigration now far exceeds permanent immigration.

Humanitarian migration is not considered, given its very different motivations and objectives.

Finally, the paper focuses on legal immigration within policies set by governments. Illegal immigration is significant for countries such as the US, but much less prevalent for more isolated countries like Australia and New Zealand. Any assessment of the impacts of immigration as a whole will, however, also be influenced by the level of illegal migration in countries where this is significant.

Structure

Part 1 of the paper provides a brief overview of the Scottish constitutional, demographic and economic context together with key aspects of proposed UK Government and Scottish Government immigration policies. Parts 2 and 3 consider what the international experience can tell us about what can be achieved through immigration programmes for countries like Scotland and the wider UK. Part 4 considers this specifically for regionally differentiated immigration schemes. Part 5 suggests some implications and key questions for policymakers in Scotland to consider.

Part 1: The current context

Key points

- Under Scotland's devolution arrangements, immigration policy is 'reserved' to the UK Government (UKG).
- In common with many countries across Europe, Scotland is reliant on inward migration to sustain or grow its population. Immigration is particularly needed to help offset reductions in the working age population and support an older population that is expected to grow significantly in coming decades.
- The UK does not have large flows of permanent migrants relative to its population compared to other OECD countries. It does have a slightly above average proportion of the population that is foreign-born, although this is still significantly lower than traditional immigration countries such as Canada, Australia and New Zealand.
- Since the EU referendum, work-related migration from the EU to the UK has fallen to its lowest level since 2004, only partially offset by an increase in non-EU work-related migration. But long-term immigration and emigration have remained broadly stable.
- The UKG has announced a new "points-based" immigration programme, very similar to systems in countries like Australia and New Zealand, to take effect from 2021. Its stated aim is to shift the UK economy away from a reliance on cheap labour towards a high skill, high wage, high productivity model.
- The Scottish Government (SG) has proposed the addition of a Scottish Visa to sit alongside UK visas. The SG would set the criteria, which would not include employer sponsorship or a salary threshold, and would offer more generous family migration rights. The UKG has rejected the idea of a Scottish Visa.
- The SG has also called for pilot schemes to explore ways to attract and retain migrants in remote and rural areas. The UK Migration Advisory Committee, which advises the UKG, has supported such pilots.
- Recent surveys suggest that Scottish people have a relatively positive view of the benefits of immigration but find no significant differences between attitudes in Scotland and those in England and Wales in this regard. There is, however, little data available about attitudes to immigration in different parts of Scotland.

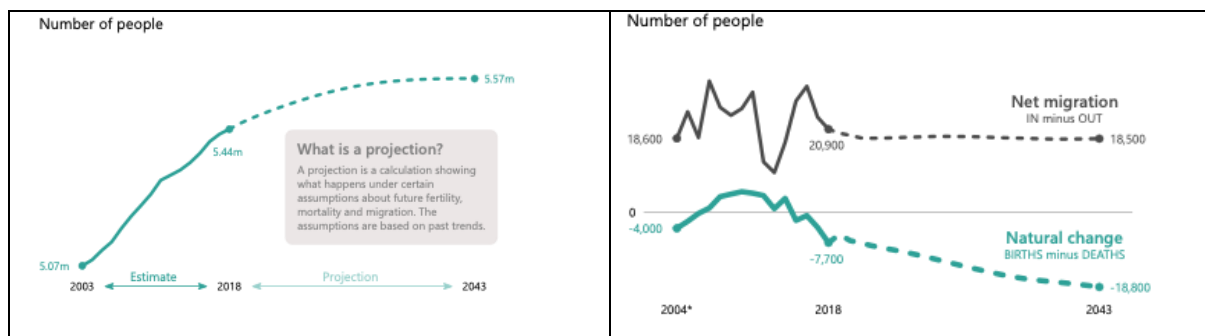
Government approaches

Under Scotland's devolution arrangements, immigration policy is 'reserved' to the UK Government. Scottish political parties have generally taken a positive position on the contribution of immigrants to Scottish society, in contrast to mainstream UK parties that have sought to achieve overall reductions in net migration (Hepburn, 2017). Scottish (and Welsh) Governments have also had explicit objectives to grow their populations or, at least, avoid population decline, whereas Westminster Governments have not (MAC, 2020). Scottish Governments have argued for, at a minimum, greater

regional differentiation in immigration policy to reflect Scotland’s particular circumstances.

Demographic context

The Scottish population has been growing since the early 2000s to its highest level ever, and is projected to continue to grow through to the mid 2040s. Net migration has been the major and, in the last few years, sole driver of population growth, offsetting on-going out-migration (emigration) and a rate of natural increase that has been close to zero. No natural growth is projected though to 2043, leaving Scotland reliant on inward migration from the UK and overseas to offset expected natural decrease and emigration, and for any population growth.



Source: NRS Projected Population of Scotland (2018-based).

Despite this recent and projected growth, there are deep historical and emotional reasons why maintaining and growing the population remains a concern in Scotland, stemming from a history of depopulation experienced as recently as the mid-1970s to the early 2000s. In February 2020, the SG established a Ministerial Taskforce on Population, which is yet to report, one of whose tasks is to define the Government’s aspiration for Scotland’s population in terms of level of growth over the short, medium, and long term.¹⁴

This is one reason why the expected reduction in immigration associated with the UK leaving the EU is of particular concern in Scotland. If migration stays at its current level, the Scottish Government’s Expert Advisory Group on Migration and Population (Expert Group) has estimated that the population will increase by 8% over the next 25 years. If, however, net migration from the EU reduces, the Expert Group estimates that the population would increase by a smaller 2% to 6% (for a 50% or 80% reduction in net EU migration, respectively) (Expert Group, 2019a).

At the same time, the Scottish population has been ageing, and this is projected to continue. The share of the population that is of pensionable age is projected to increase from 19% to 23% over the next 25 years, while the share of the population of working age (16-64 years old) is projected to reduce slightly from 64% to 62%.

¹⁴ <https://www.gov.scot/publications/population-taskforce-terms-of-reference/>

Migration will have relatively little impact on this ageing process. It could increase the size of the working age population and therefore the 'dependency ratio' of working age to pensionable age people, but only temporarily as those migrants will, themselves, age (see, further, pp 24-25). With current migration levels, the working age population would stay roughly stable in the next 25 years, but with reduced EU immigration it would decline by between 3% and 5%, rising to a decline of 8% with no overseas migration or 12% with no migration to Scotland at all (Expert Group, Feb. 2019).

While the population has been growing overall, Scotland has seen depopulation in some areas, with 14 local authorities experiencing depopulation in 2019 (MAC, 2020). The reduction in the working age population is a particular issue in rural communities. Overseas immigration does relatively little to offset this, however, because it is heavily concentrated in the four main cities. Between 2006/7 and 2011/12, Aberdeen, Edinburgh, Glasgow and Dundee received 95% of all overseas migrants (Boswell, Kyambi and Smellie, 2017).

These demographic challenges are not unique to Scotland. During the first half of the current century, the populations of most developed countries are projected to become smaller and older as a result of below-replacement fertility and increased longevity (UN, 2001). Europe is already reliant on net migration to offset a slightly negative rate of 'natural' population change: by 2050, half of the EU Member States are projected to have fewer than two working-age persons for every person aged 65 years or older (Eurostat, 2019b). Even the United States is moving towards an overall decline: 2019 saw the slowest population growth since 1919 due to a reduction in births, increase in deaths and decline in immigration (Johnson, 2020).

Immigration is therefore likely to continue to grow in importance for Europe and other developed countries, particularly in order to support labour markets and public finances. If so, there will be increasing competition for migrants, and particularly skilled and younger migrants. On the other hand, some countries may continue to restrict immigration. The National Foundation for American Policy has projected that the Trump Administration's immigration policies, if continued, would reduce legal immigration into the US by more than 30 percent per annum or more, resulting in slower labour force and economic growth (NFAP, 2020).

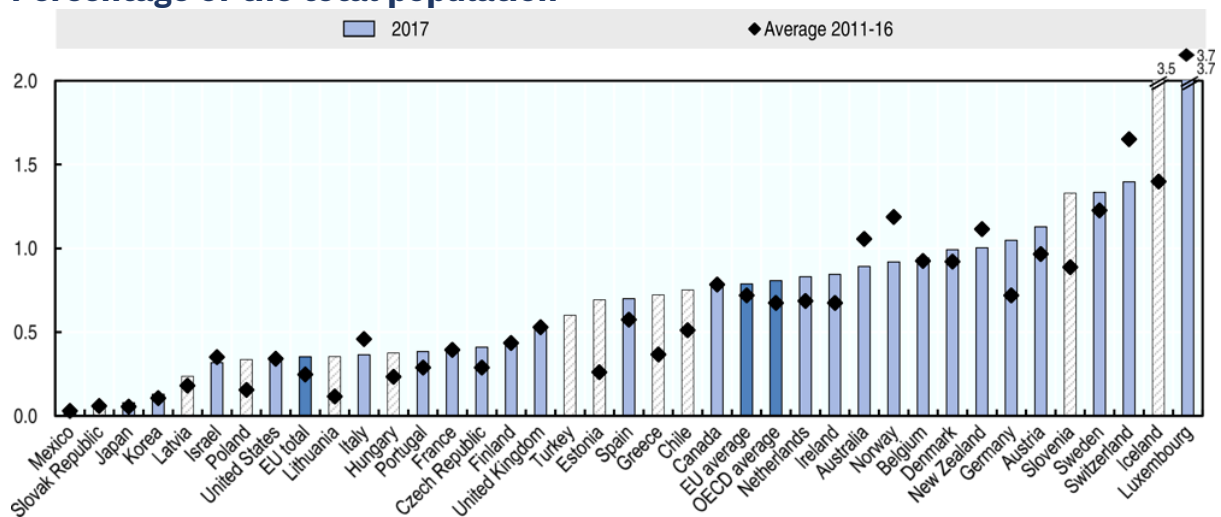
For Scotland, a shortage of workers could be met, in part, from improved employment participation rates. While unemployment rates are relatively low, Scotland's male participation rates are below historical highs, and there are very low participation rates for some groups of women, particularly older women, when compared with the OECD countries with the highest rates. Scotland also has poor rates of employment among some groups, such as people with disabilities and, along with the rest of the UK, a high rate of part-time employment (Maclennan and McCauley, 2018). Working lives could be extended; public policy can also positively affect fertility and extend life expectancy.

That said, immigration will probably need to be part of the mix if Scotland wants to at least offset 'natural' decline and emigration, if not grow its population.

UK migration and recent trends

As part of the scene -setting for this paper, it is worth noting that the UK does not have particularly large flows of permanent migrants relative to its population. In the most recent year for which comparative data is available, 2017, the number of permanent migrants to the UK as a percentage of population was below the OECD average:

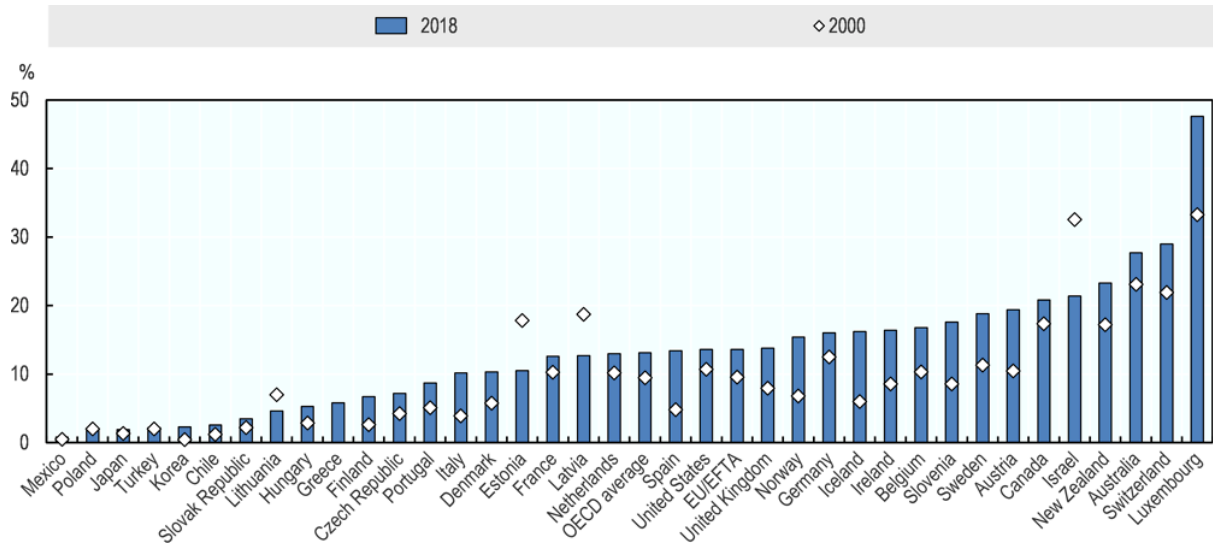
Permanent migration flows to OECD countries, 2017 (OECD 2019a)¹⁵ Percentage of the total population



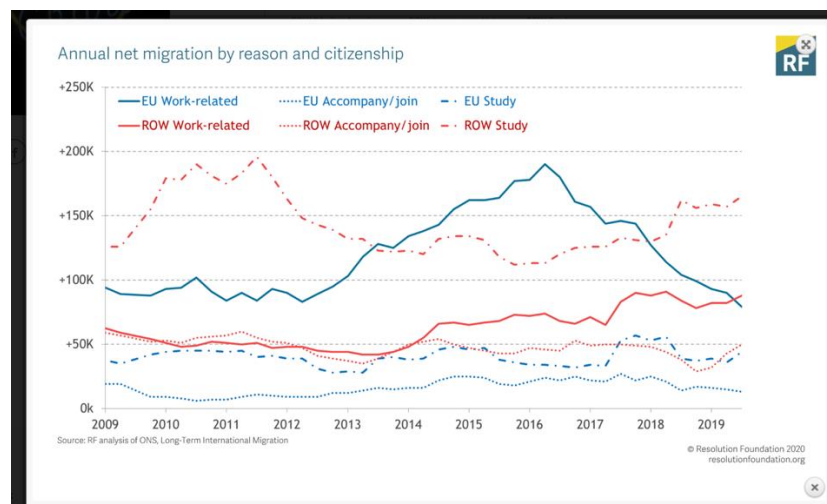
The UK does, however, have a slightly above average proportion of its total population that is foreign-born, although this is still significantly lower than ‘traditional’ immigration countries such as Australia, Canada and New Zealand.

¹⁵ OECD 2019a. Data for countries with a striped grey shading are not standardised. EU average is the average of EU countries presented in the chart. EU total represents the entries of third-country nationals into EU countries for which standardised data are available, as a percentage of their total population. Data for Chile refers to 2016 instead of 2017. Source: OECD International Migration Database, <https://doi.org/10.1787/data-00342-en>.

The foreign-born as a percentage of the total population in OECD countries, 2000 and 2018¹⁶



EU migration to the UK had already been falling since the EU Referendum. Work-related migration from the EU fell from a peak of 190,000 to 79,000 in the year to September 2019, its lowest level since 2004. Most EU citizens come to the UK (and Scotland) for work – around 69% in 2016. While found at both the high and low-skilled end of the labour market, the economy is particularly reliant on EU migrants to fill lower-skilled jobs (Petrongolo, 2016; SG, 2018). An increase in non-EU work-related migration has not been sufficient to offset this reduction.



Long term immigration and emigration have, however, remained broadly stable in more recent years. EU net immigration to the UK has fallen since 2016, but non-EU migration has been gradually increasing since 2013 and is now at its highest level since 2004. An estimated 240,000 more people arrived in the UK with an intention to stay for 12 months or more in the year to September 2019 than left the UK (ONS, Feb 2020b).

¹⁶ Ibid. Data refer to 2000 or the closest available year, and to 2018 or the most recent available year. The OECD and EU/EFTA averages are simple averages based on rates presented. For Japan and Korea, the data refer to the foreign population rather than the foreign-born population.

Proposed UK Immigration Policy

Following the UK's exit from the EU, the UKG announced a new "points-based" immigration programme to take effect from 2021 (UK Government, 19 February 2020). The proposed scheme would be similar in its approach to systems in countries like Canada, Australia and New Zealand.

Under the scheme, most migrants (apart from the most highly skilled who qualify for the Global Talent route) would need 70 points to qualify for a visa. All applicants would need a skilled job offer from an approved sponsor and to be able to speak English, together worth 50 points. Further points could be obtained for salary¹⁷, a job offer in a shortage occupation, and qualifications (a doctorate, and more for a science and technology PhD), with some 'tradability' between these.

The proposed policy would relax some of the requirements of the current 'tier 2' visa scheme, including removal of the resident labour market test and expansion of the definition of skilled workers from graduate level to A-level/Scottish Highers-equivalent with separate initiatives for scientists, graduates, NHS workers and those in the agricultural sector. There would be no numerical cap on visas.

There would, however, be no regionally differentiated arrangements or criteria for Scotland, apart from the existing 'shortage occupation list'. This allows the Migration Advisory Committee (MAC) to recommend an additional set of shortage occupations for Scotland to the UK Government but has been criticised as only including a very small number of occupations.

The UKG has said that it will not introduce a separate route for lower-skilled/paid workers, although commentators have suggested that exceptions may be made at the margins, such as in the care and farming sectors.¹⁸

The stated intention of the policy is to shift the economy away from a reliance on cheap labour to a "high wage, high skill, high productivity" model (UKG, 2020b). UK Government Ministers are not alone in arguing that a number of sectors in the UK have fallen into a "low pay, low productivity equilibrium" – this was a key argument of the IPPR Commission on Economic Justice, for example (IPPR, 2017). While employment is at record levels, wages have only just reached the spending power that they had before the banking crisis in 2008 and there is an increasing prevalence of low pay; the UK has experienced a slowdown in labour productivity that is unprecedented in 250 years and productivity levels lag behind its major competitors (Ibid.; Crafts and Mills, 2020).

The new policy would effectively halt immigration of low-waged workers coming to the UK unless they had a job offer in a shortage occupation. It has been estimated that

¹⁷ A general threshold of £25,600 or the salary threshold for the occupation whichever is higher, with different arrangements for a small number of occupations and new entrants.

¹⁸ See, for example, https://www.bbc.com/news/uk-scotland-51581054?intlink_from_url=https://www.bbc.com/news/scotland/scotland_politics&link_location=live-reporting-correspondent

around 70% of the existing EU workforce would not meet the requirements of the new immigration programme overall, with the impacts most significant in sectors such as health and social care (66% ineligible), transport and storage (90% ineligible), construction (59% ineligible) and hotels and restaurants (85% ineligible) (IPPR, 2020). The designation of shortage occupations by the MAC will therefore be crucial in determining the impact of the new policy on different sectors and regions. The SG has commissioned its Expert Advisory Group to consider which occupations should be on the Scottish list.¹⁹

Scottish Government Proposals

Scotland does not have control over the entry of nationals from other countries independently from the UK. The SG has called for the devolution of immigration powers with a stated objective to:

... grow our population to ensure Scotland has sustainable, vibrant, and resilient communities and drive improvements in inclusive growth (SG, 2020).

As such, its primary goal is to attract migrants who will settle permanently in Scotland:

Scotland wants to attract people from the UK, Europe and the rest of the world who will live and work here for the long term, and who will raise families to grow the future working age population that will pay taxes to fund the essential public services that society – and especially an increasingly ageing society – demands (SG, 2018).

As a first step, the SG has called on the UKG to support the introduction of a new visa route that would operate alongside, and in addition to, the existing UKG options for immigration – a Scottish Visa (SG, 2020). This proposal was immediately rejected by the UKG. Nevertheless, it does offer the most comprehensive statement to date of the SG's preferred approach to immigration policy and its thinking on how regionally differentiated policies might be accommodated within a wider UK framework.

The key elements of the Scottish Visa proposal were:

- autonomy for the SG to choose migrants. The SG would be the sole sponsor of applicants for the Scottish Visa, setting criteria and rules, and nominating people for the UKG to approve, subject to security and identity checks
- requirements to live and work in Scotland. Migrants would be required to live in Scotland and have a Scottish tax code for the duration of their visa
- reduced selection criteria compared to UK policy. There would be no salary threshold or employer sponsorship requirements, although earnings might be part of the selection process. Published papers do not state whether a job offer would be required
- a “less restrictive approach” to family migration²⁰

¹⁹ As advised by SG officials.

²⁰ The SG has said that it will commission its Expert Advisory Group on Migration and Population to look more closely at the impact that current family migration rules have on families in Scotland (SG, 2020).

- a pathway to permanent settlement. The SG wants to ensure that there would be a pathway from the Scottish Visa through to permanent settlement (Indefinite Right to Remain).²¹

The SG has also called for pilot programmes to look at retention of migrants in remote and rural areas, as recommended by the MAC,²² and for various changes to UK-wide immigration rules.

The SG's policy proposals have a particular emphasis on addressing depopulation and encouraging long-term settlement. The SG has said that it would develop a selection approach "that captures social as well as economic value", although it has not yet published the specific factors that would be considered and indicated how these would be weighted.

Scottish attitudes towards immigration

At a national level, surveys suggest that Scottish people have a relatively positive view of the benefits of immigration, but recent surveys have not found significant differences between attitudes in Scotland and those in England and Wales in this regard.

In 2017, more people in Scotland thought that immigration was good for Britain's economy (46%) than thought it was bad (17%), a similar proportion to England and Wales. Younger and middle aged people were more positive than older people (aged 55 and over) with similar figures in England and Wales. University graduates tended to think immigration was good for the economy, also at similar rates (76% in England and Wales and 75% in Scotland). The portion thinking that immigration has a positive cultural impact was also the same, at 71% (Curtice and Montague, 2018).

This author was unable to identify any comprehensive data on attitudes to immigration in regional or sub-regional areas of Scotland, including the parts of the country that might benefit from any regionally differentiated approaches. This would be an important gap to fill to inform any new initiatives.

²¹ Under UKG policy, five years' residence is required to apply for Indefinite Right to Remain.

²² The SG has said that it will commission its Expert Advisory Group on Migration and Population to consider what a pilot approach to migration in remote areas would need to achieve in order to benefit Scotland's rural and remote island communities (SG, 2020).

Part Two: The impact of immigration programmes

Key points

Immigration programmes need to benefit – and be seen to benefit – the existing population as well as migrants themselves.

The economic impacts of immigration programmes in countries such as Australia, New Zealand and Canada over the last couple of decades are fairly well-established. These programmes have generally had:

- positive but modest impacts on GDP per person
- possible positive impacts on productivity and innovation, although these are difficult to evidence and highly context-specific
- labour market impacts that may be positive or negative but are generally small
- positive but small fiscal impacts overall
- moderate to large housing market impacts in some cases
- small impacts on trade and the long-term fiscal balance.

For demography, the evidence is clear that immigration at any realistic level can maintain or grow the size of a population, but not significantly change its age structure. At best, it can give a boost to the working age population, but only temporarily.

The impacts on the environment are less clear cut. The impact on wider subjective wellbeing of both locals and migrants depends on a range of circumstances and varies according to context.

Most studies of impacts do not take account of the significant minority of migrants who re-migrate and so may overstate the success of immigration programmes. The impacts of immigration also depend, critically, on the level of net migration in a country – i.e., immigration relative to emigration – as well as a host of contextual factors in the receiving country at the time the migration occurs.

That said, well-designed and well-managed immigration programmes have generally been beneficial overall for the ‘traditional’ migration countries in recent decades. These benefits have, however, been relatively small, with other policies much more important for achieving economic, population and wider wellbeing goals.

Assessing the impacts of immigration

For immigration programmes or initiatives to be successful and sustainable, apart from humanitarian categories that have different objectives, they need to generate – and be seen to generate – benefits for the ‘receiving’ population, as well as for the migrants themselves. The general public also needs to have confidence that programmes are well managed, and not subject to fraud or exploitation.

The bulk of studies have assessed the success or otherwise of immigration programmes in terms of their economic impact. Countries are typically seeking a more innovative and productive economy that produces rising wages (so workers benefit) and high labour market participation, including for people currently excluded from the labour market. Some countries are also seeking to grow their population, or to offset population decline or ageing.

Measuring the effects on economies is notoriously difficult as migration affects an economy through multiple channels – population size and composition, supply of labour, skills and capital, demand for goods and services, imports and exports, investment, natural resources, land and environmental impacts. These in turn impact on innovation, productivity and the labour market, with both positive and negative effects and ‘spill overs’ from one type of effect to another. It is the combination of all these factors that will determine the outcome, together with how any Government surplus is deployed, or deficit funded.

There is, however, increasing recognition in traditional immigration countries that wider considerations, which could be summarised as ‘wellbeing’ outcomes, also need to be weighed up in assessing the success or otherwise of immigration programmes. This section discusses what we do know from existing studies, the economic and environmental impacts of immigration programmes.

Caveats

In considering findings on the impact of immigration programmes, it is worth bearing in mind that all permanent migration programmes ‘lose’ migrants, especially when economic conditions are less positive. Even the US, with high wages and other ‘pull’ factors, finds that between one-third and one quarter of migrants permanently leave at a later time; the proportion is similar in New Zealand, and there is evidence of higher re-migration rates in Northern European countries (Kerr and Kerr, 2011; Hodgson and Poot, 2011). Studies do not typically include those who have left and so may overstate the success of migration policies if those who are less ‘successful’ are more likely to re-migrate.

Secondly, immigration only deals with one side of the equation. For economic, demographic and wider ‘wellbeing’ impacts, it is generally *net* migration rather than *immigration* that matters. While not the focus of this paper, countries should also consider the approaches required to influence the retention of their residents and to attract emigrants to return home.

Thirdly, economic impacts do not arise from immigration alone, but from its interplay with wider economic changes. Short-term economic or regulatory changes that affect the cost of business and labour along with more fundamental changes arising from globalisation, digitisation and robotization, and the shift from physical workplaces to crowdsourcing and digital platforms, will interact with the level and composition of the workforce. Insofar as immigration changes this, it will tend either to accelerate or slow

down these existing trends, rather than be the root cause of changes in itself (Maclennan and McCauley, 2018).

Finally, while also beyond the scope of this paper, immigration policies have significant impacts on source countries, for those who remain, which need to be considered and balanced with domestic considerations.²³

These caveats should be borne in mind when considering the evidence set out in the rest of this chapter.

Impacts of Immigration Programmes

Economic Impacts

There is broad agreement about the economic impacts of immigration in the traditional migrant-receiving countries over recent decades.²⁴

- *Immigration generally has positive, but small, impacts on GDP and GDP per person.*

All else being equal, immigration contributes to GDP growth through its contribution to population growth. Over and above that volume increase, positive *per capita* effects are usually found from migrants' higher labour market participation rates, higher hours worked and higher skills. These are partially offset by economy-wide effects such as capital dilution and a decline in the terms of trade, but the overall result is typically found to be a small positive increase in per capita GDP.

Modelling for countries that use immigration to offset a net loss of their own population usually finds that GDP per capita would be less without positive net migration. So countries with a net loss of their own population may need immigration to *maintain* (rather than, or as well as, *increase*) living standards.

- *Immigration may have small positive effects on innovation and productivity although these are difficult to evidence and dependent on context.*

The impacts of immigration on productivity and innovation vary.

In theory, migrants' higher skill levels and greater diversity, together with knowledge transfer between migrants and others, should have productivity and

²³ See, for example, Hodgson and Poot, 2011, for discussion of the impacts of migration from the Pacific to New Zealand for those who remain in their home country.

²⁴ Unless otherwise stated, the following points on economic impacts are drawn from: Kerr and Kerr (2011), which summarises empirical studies on the economic impacts of immigration in various host countries, including Northern Europe and Scandinavia as well as the United States; Productivity Commission (2006), which provides a comprehensive review of economic impacts with a particular focus on Australia; Hodgson and Poot (2011) and Fry and Wilson (2018) which discuss impacts with a particular focus on New Zealand; and MAC (2018, 2020) which has a particular focus on the impacts of EU/EEA migration to the UK.

innovation benefits. This is particularly true if migrants bring different skills, perspectives, networks and values to those already available in the economy.

These theoretical impacts have, however, been very difficult to evidence in practice. Those that have been evidenced tend to vary between countries, suggesting that context matters.

There is an association in the US, for example, but the main mechanism is the education of foreign graduate students rather than skilled migration. Australian Productivity Commission modelling, in contrast, found that even a 50% increase in skilled migration would not have substantial impact on Australian productivity.²⁵ Research in New Zealand found that firms with a higher share of high skilled migrants were more likely to be innovating, but that it was the employment of new highly skilled people that mattered, rather than the presence of migrants per se (McLeod, Fabling and Maré, 2014).

Other factors matter too. Productivity only increases where migrant inflows are accompanied by other improvements – policy needs to support a more productive economy generally, including for regions and sectors, if productivity gains are to be realised. Any effects depend on the extent to which migrants and locals interact in the labour market in a meaningful way to do things differently if a country is to capture the diversity dividend that migrants potentially provide. Finally, the mix of migrants matters. Access to lower-skilled workers may work against productivity goals if it means that employers are less willing to invest in new technologies or in training, or in hiring more productive workers (see, further, pp 31-32 below).

- *Immigration may have either positive or negative impacts on the labour market, depending on its composition and economic conditions, but these are generally small.*

Immigration affects both labour supply and labour demand (via spending on goods and services) so it is not easy to disentangle its effect on employment and wages. Countries have typically found little or no statistically significant effects on employment or wage levels for locals overall, but some have found small negative impacts for those who compete in the labour market with migrants – i.e. those for whom migrants are ‘substitutes’ rather than ‘complements.’ Conversely, an increase in migrant labour where the workers are complementary can increase job opportunities and wages for locals (see, for example, Migration Observatory, 2019b; Wolla, 2014).

The size of impacts, and whether they are positive or negative, depends on the level and mix of migration, the speed of labour market adjustment, and wider economic conditions in the host country. Impacts may also depend on the extent

²⁵ This was largely because the annual flow of migrants would still be small relative to the total labour force and population, and migrants were not very different from the Australian-born population (and, over time, those differences become smaller).

to which immigrants are adding to the labour market or replacing locals who have moved elsewhere.

- *Immigration typically produces small net fiscal benefits.*

Studies across a wide range of countries generally find that immigration brings a small net fiscal benefit – i.e., migrants make a greater contribution via taxation than the cost of the publicly-funded services that they incur, and therefore reduce pressure on Government debt. This has also been the finding in relation to EU migration to the UK (Migration Observatory, 2019a; Institute for Employment Studies, 2017; Preston, 2016). As discussed later, however, the impact varies considerably for different groups of migrants.

Most assessments of fiscal impact are taken at a single point in time. Over the long term, however, migrants' net fiscal contributions are much closer to the locally born as migrants access health care, pensions and aged care. The fiscal impact of immigration therefore depends, in part, on eligibility for and the generosity of these services.

Most assessments also don't take account of the large-scale public infrastructure that may be needed if the population expands, because of the difficulty in attributing this to immigration. On the other hand, estimates typically take account of migrants' use of public services, but not their contribution to them as workers.

- *In some countries or localities, immigration contributes to moderate to large housing market impacts.*

Both house prices and immigration tend to be pro-cyclical, making it difficult to disentangle causation between immigration and house price increases. Large effects have been found in some studies, small effects in others, both positive and negative. New Zealand, for example, has experienced very significant house price growth against a backdrop of a growing population and poor house market adjustment to demand (Fry and Wilson, 2018); similarly the MAC has found some evidence that migration has increased house prices in the UK, particularly in local authority areas with more restrictive planning policies (MAC, 2018).

- *Immigration has small impacts on trade and the long-term fiscal balance.*

Across studies, a 10 percent increase in the global number of immigrants has been found to be associated with a 1.5 percent increase in trade, on average (Genc, 2014).

The impact in individual countries, however, varies. The effect of immigration on imports is generally larger than the effect on exports, but in Australia, for example, the impact on exports appears to be larger than for imports (i.e., Australian trade benefits more). In contrast, immigration stimulates imports

more than exports in New Zealand (i.e., the source countries benefit more), so may contribute to a small increase in the current account deficit (Fry, 2014).

Immigration policy is increasingly interrelated with wider trade policy for many countries, and this may also be the case for the UK following the Brexit transition period. New Zealand, for example, has made commitments to give work rights to some foreign nationals as part of its negotiation of Free Trade Agreements (MBIE, 2017).

Demographic, Environmental and Wellbeing Impacts

Population Size and Age Structure

The clear conclusion of a host of studies, including influential work across multiple countries by the UN in 2001, is that immigration at any realistic level can maintain or grow the size of a population in absolute terms, but not significantly change its age structure.

This is mainly due to the massive level of migration required to change or even just maintain a country's age structure where it is otherwise ageing. Modelling has consistently shown that very substantial migrant in-flows are required to offset population decline, with significantly larger numbers required to offset declines in the working-age population, and much larger numbers still to maintain the 'working age' to 'old age' dependency ratio (UN, 2001). This also holds for Scotland, with the SG's Expert Group calculating that Scotland would need a very large number of migrants arriving annually to retain current dependency ratios (Expert Group, 2019a).

Migrants can boost the working age population to a small degree and help offset skill or labour shortages in the short-term. The effect is temporary, however, because migrants themselves will age and, in turn, increase the dependency ratio. Any benefits from higher fertility rates among some migrant populations will also be temporary, as these tend to conform quite quickly to the birth rate of the country in which migrants settle. In addition, if family policies allow migrants to bring older family members with them, this will raise the average age of migrants even if the principal applicants are young.

Even these benefits will only occur, however, if migrants are younger than the local population and younger than emigrants, on average.²⁶ Other policies to support adjustment to a different age distribution or expand the working age population and tax base in other ways are much more important. The SG's Expert Group (2019a) concluded, for example, that proposed increases to the pension age may be more important than migration in reducing the projected increase in the dependency ratio in Scotland.

²⁶ With thanks to Natalie Jackson for data analysis demonstrating this point. See, also, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=People_in_the_EU_-_population_projections&oldid=458863#Population_projections

Environmental impacts

The impacts of immigration on the environment, and particularly immigration that contributes to population growth, are less clear-cut. There is no significant correlation between population density and either positive or negative environmental effects; rather, the relationship between population and the environment varies according to the composition of the population, its impacts both direct and indirect on the environment (including via the tax base), and public policy settings (Migration Observatory, 2011; Fry and Wilson, 2018).

Wellbeing impacts

The relatively small literature that looks beyond economic and population impacts to assess the impact of immigration on wellbeing or happiness is usefully summarised by Fry and Wilson (2018). This finds that migrants are often better off in economic terms as a result of their immigration but their subjective wellbeing varies greatly depending on circumstances. These include their country of origin, motives for migration, migration status, sense of belonging, standard of living and life circumstances in the host country, social capital and perceived social support, extent of preparation for migration and perceived discrimination, hostility towards migrants and the extent of 'culture shock'. One panel study cited found evidence of improved life satisfaction for migrants in only five out of sixteen high-income countries, for example.

The impact of migration on the subjective wellbeing of people in the host country also varies depending on context, with some evidence to suggest that this depends on the extent of routine interactions between different kinds of people in a country. Results vary depending on the level and composition of immigration, the extent to which migrants are geographically concentrated, local economic conditions – the perception of migrants is more negative in economies that are doing less well – and the characteristics of the locals in question (Ibid.).

Comment

Overall, immigration programmes in the traditional migration countries in recent decades have been beneficial in relation to economic and population goals. These benefits have, however, been relatively small, with other policies much more important for achieving these goals. Impacts on the environment and wider wellbeing are less clear-cut.

This does not mean that immigration programmes should be abandoned. Rather, it is important for countries to understand what immigration programmes can, and probably can't, deliver. Failure to do so risks immigration being seen as a 'fix all', or being used to avoid addressing problems in other policy areas, such as an education system that isn't producing the skills that employers require or poor wages and conditions for workers.

Part Three: Further considerations for immigration programme design

Key Points

The international experience highlights some key issues in considering the optimal level and mix of immigration, and designing immigration programmes and initiatives:

- Clarity about the overall population and economic goal is critical. It is the per-capita not the overall impact of immigration on GDP that will matter for living standards. 'Bigger' is not necessarily 'better' for either the population or the economy.
- Distributional issues. Both the positive and negative impacts of immigration are unevenly distributed between population groups and geographic areas as are public perceptions of the impacts of immigration on social norms and culture.
- The time period over which both positive and negative impacts will be felt. This depends on the rate of adjustment of capital supply and public services in different sectors and geographic areas. Short-term dynamics may obscure longer-term effects.
- The mix/composition of immigration. This has a significant impact on the outcomes achieved, along with economic conditions in the host country. Entry criteria and eligibility for publicly-funded services will determine who carries the risk and costs of poor outcomes.
- Trade-offs between the various goals of immigration policies. In particular, there is likely to be a trade-off between increasing productivity and innovation, and responding to employer demand for lower skilled labour.
- The country's 'absorptive capacity'. The capacity and responsiveness of its economy, infrastructure, public services and environment to new migrants and public attitudes to immigration will affect the balance of positive and negative impacts for the receiving country and for migrants themselves.

Two design choices that particularly influence the outcomes of immigration are:

- the requirement or not for migrants to have a job offer, and
- rights for family members to migrate.

Countries usually try to maximise desired outcomes through their mix of visa types, entry criteria and associated rights, and the extent to which visas are 'capped' or demand-driven. This also enables governments to be explicit and transparent about which elements are prioritised, including the balance between high- and low-skilled or waged migration, and between temporary and permanent settlement.

While the focus of much of the research into immigration is on policy settings, other types of initiatives to attract migrants and support successful outcomes are as, if not more, important in many cases. A key example is support for job matching.

On-going monitoring of migrant characteristics and outcomes is critical.

In considering the optimal level and mix of immigration, the international experience highlights some key issues to consider:

Clarity about population and economic goals – ‘bigger’ is not necessarily ‘better’

It is critical to be clear about the overall population and economic goals for immigration so that programmes and initiatives can be designed accordingly. A bigger population or economy is not necessarily better for existing residents. All else being equal, a larger population will generate more economic activity, but it is per person or per capita GDP growth that matters in improving living standards and wellbeing for the existing population overall (Productivity Commission, 2006). Over the long run, per capita GDP not only affects the potential for wage growth, but a country’s ability to fund its national health care and pension systems for its residents.

The main way in which a larger population might increase *per capita* economic growth and living standards is through scale and agglomeration effects. There is clear evidence that these can be associated with higher incomes and productivity at the city level but no empirical evidence of such effects at the country level. Bigger, more densely-populated countries do not necessarily perform better economically than smaller countries with more scattered populations, as discussed in previous work for Reform Scotland (Skilling, 2018). Indeed, a larger population can in some circumstances be a drag on productivity by increasing demand for scarce natural resources or land, or through increasing congestion and other negative environmental effects (Productivity Commission, 2006).

The arguments for growing a population are therefore weak, but there are stronger arguments for *maintaining* a population that would otherwise decline. These include maintaining the viability and vibrancy of communities, enabling delivery of a wider range of personal, health and education services, supporting the use and maintenance of infrastructure, and avoiding the negative economic impacts of depopulation. This is, however, a question of sustainability rather than growth.

Using immigration to counteract population decline, however, will not *necessarily* boost the economy without other measures:

Immigration is only a useful response to population decline if the immigrants address the underlying issues that led to the decline in the first place. Adding more people to an economy that faces difficulty in expanding exports as fast as imports will lead to expanding debt unless immigrants bring about productivity-enhancing change, or are large in number and have significantly higher savings rates than natives (Fry 2014).

Those making the argument to increase population size in order to boost economic growth, therefore, need to be clear about the end goal and what would be required to achieve this. In particular, the size of population required to achieve any scale and agglomeration benefits sought needs to be carefully modelled to see whether it is feasible along with the costs, including fiscal and environmental costs, that would need to be incurred to achieve it.

Distributional effects need to be carefully weighed up.

The headline benefits (or costs) of immigration are typically averages. The distribution of positive and negative impacts varies, however, according to people's employment, wealth, and location, and between migrants and the existing population.

Any negative employment and wage impacts, for example, will mainly affect those who compete directly with migrants. In the UK, lower-skilled workers and recent migrants were more likely to lose out as a result of EEA immigration in recent years while higher skilled workers tended to benefit (MAC, 2018, 2020). Conversely Australia's focus on skilled immigration means that those working in skilled occupations may experience slightly slower real wage growth while the unskilled tend to benefit (Productivity Commission, 2006).

Peoples' level of wealth matters for how they will be impacted by immigration economically. The owners of capital tend to benefit from immigration. House price increases will benefit those who already own housing, for example, and disadvantage those seeking to buy a home.

Economic impacts also vary geographically. Some regions don't benefit at all. For those that do benefit, there may also be negative effects. Both positive and negative impacts are often felt very locally and individually – a more diverse and vibrant local community, workers to fill vacancies in a company, but maybe also a queue at the hospital, a school with a high number of non-English-speaking students, for example. Arguments that immigration is beneficial nationally may ring hollow to individuals who are finding it hard to get a job, access healthcare or buy a house in their local area.

Economic impacts also differ for migrants and the host population. The evidence suggests that most direct economic benefits from immigration are likely to accrue to the migrants themselves.²⁷ On the other hand, the income and wellbeing of existing residents will be affected not only in relation to employment, wages and house prices, but also through changes in tax receipts and provision of public services. This makes the overall distributional effects difficult to assess.

The impacts on social norms and culture are also differently experienced, although more difficult to quantify. Many migrants tend to maintain the culture of their country of origin, and this effect increases with the number of migrants in an area. Some of the existing population will welcome this while others will not. Some of those who benefit economically may nevertheless feel that there is a trade-off between those economic benefits and social disunity or cultural dilution, while those who are disadvantaged may experience negatives on both sides. People also vary in the importance they attribute to preserving social norms.

²⁷Productivity Commission (2006) citing research in the US and other countries. For Australia, they conclude that this is because migrants are more likely to be of working age and less likely to be sick or disabled than the general population, and because immigration can increase growth through population composition effects, without raising the incomes of locals. See, also, Fry (2014).

The way the cultural influence of immigration is experienced by different groups and in different places also needs to be taken into account, along with other considerations, in deciding what level and mix of migration is right for a country at a given time (see, further, Epstein and Katav-Herz, 2019).

The impacts are 'felt' over different time scales – and short term dynamics may obscure longer term effects

The impacts of immigration for both migrants and the existing population are experienced and 'felt' over different time scales.

For employment, for example, countries typically find that migrants are 'successful', but only after a period of adjustment. On average across OECD countries, the employment rate of migrants is 2.4% lower than the native-born (OECD, 2019a). Even countries that try to target skilled migration find that migrants tend to have lower earnings and lower employment rates than locally born people initially – in New Zealand it takes 10-15 years for immigrants' labour market outcomes to be similar to those of locals, for example. Some groups may never achieve parity (Stillman and Maré, 2009).

These gaps are largely explained by lower education levels among immigrants or, in some cases, by higher skilled migrants taking lower-skilled jobs (Kerr and Kerr, 2011). Language proficiency and region of origin are also associated with faster or slower convergence with locals (Stillman and Maré, 2004). Demand in the economy at the point of arrival may also affect both short and longer-term employment outcomes.

Potential benefits around innovation and productivity as a result of greater diversity and skills in the workforce are likely to take time to manifest. On the other hand, pressure on infrastructure or public services from an increase or change in population will be felt over the short term. Economies vary in the speed with which they can respond to increased demand, with some sectors such as transport and housing typically slower than others.

For these reasons, even countries that focus on skilled immigration can find that immigration is a drag on per capita GDP initially – this was the conclusion of the OECD in 2017 in relation to New Zealand, for example, even though it agreed that the skills and diversity immigration provided were an asset for the country going forward.²⁸

Countries therefore need to consider the different timeframes for, as well as the distribution of, positive and negative impacts in designing immigration programmes or initiatives. This will depend on the rate of adjustment of capital supply and of public services in different sectors and geographic areas. This matters because short-term dynamics may obscure longer-term effects and it is the short-term and 'visible' effects that are most likely to influence public attitudes to any immigration programme or initiatives.

²⁸ <https://www.interest.co.nz/news/88323/oecd-yes-immigration-has-hit-new-zealand's-capita-growth-rate-if-you-get-it-right-you'll>

The mix/composition of immigration matters for outcomes, as do the economic conditions in the host country

The mix or composition of immigration influences the outcomes that are achieved. The nature and size of impacts will depend on the number of immigrants arriving relative to the existing population, the extent of differences in characteristics between immigrants and the existing population, and economic conditions including how quickly the economy can adjust to the change in supply of labour and skills. For countries with a loss of their own population, outcomes will also depend on how migrants compare with emigrants in age, skill levels and other characteristics.

This impact depends on the whole immigration programme, including any family members who also have the right to live, study or work in the country along with, or following, the 'principal' migrant, as discussed further below (see pp 36-38).

The impact of immigration on employment and wages, for example, depends on the size and composition of immigration along with the demand for labour and skills in different industries and changes to the supply of capital. Any negative wage effects will be mainly felt by those who compete with migrants in the labour market – those who are close substitutes, who are often other recent migrants along with some locally-born (see above pp 21-22). Impacts on productivity and innovation will depend, in part, on the composition of immigration (see p21).

The fiscal impact also varies considerably for different groups of migrants. Internationally, most migrants bring a net fiscal cost, except for those in their 20s and 30s (Kerr and Kerr, 2011). A 26-country OECD comparison found that employment was the single most important factor in explaining differences in net fiscal contributions (OECD, 2013). Those who are highly-educated and those from 'similar' regions of origin are more likely to be net contributors. Other groups may reduce the estimated fiscal benefits or bring net costs.

The demographic profile of migrants can therefore be key to achieving a positive net fiscal impact. The net fiscal benefits secured by New Zealand, for example, reflect the fact that immigrants tend to be relatively young, often single, and often required by policy to be in relatively well-paid jobs (Hodgson and Poot, 2011). The main reason that EU migrants to the UK have been net fiscal contributors is that they have been on average younger and more likely to be in work than the UK-born, therefore paying more in taxes than they receive in benefits (Petrongolo, 2016). EEA migrants to the UK have had a more positive fiscal impact than non-EEA migrants because the latter have been more likely to have dependent children (including more likely than the UK-born) and receive more in family benefits and tax credits (Migration Observatory, 2019a).

Entry criteria, but also eligibility for publicly-funded support and services will determine who carries the risk and costs of poor outcomes for migrants, particularly for those migrants - such as low-aged workers - who are more vulnerable to changes in the economic cycle.

There are trade-offs or a balance to be struck between the various goals of immigration policies

Countries can't achieve all the potential goals of immigration simultaneously. Attempting to do so is likely to dilute the impacts that are being sought. Most immigration programmes therefore prioritise their goals, either explicitly or implicitly via the criteria they set, the speed and cost of access they offer, or the benefits they provide to different groups.

To increase the wellbeing of their population, Governments are usually seeking both to increase employment for locals and generate productivity gains to create better, and better paying, jobs.

Most countries believe that there is a balance to strike between immigration and access to jobs for existing residents in the short-term, before the economy adjusts. Most are concerned to avoid inflows of migrants, particularly unskilled migrants, that lead to lower wages or reduced employment opportunities for unskilled locals. While these effects are generally not found at the national level, they have been found at the local or industry level (Fry and Wilson, 2018).

There is a tension between ease of access to low-waged migrants for employers and national or sectoral level productivity improvement. Sectors that experience labour shortages may need to source some of their workforce from overseas, but an immigration programme that facilitates employers' access to low-waged labour can reduce their willingness to adjust wages, train locals or invest in capital, leading to more labour intensive practices and poorer conditions. Higher immigration of low-skilled workers has been associated with slower adoption of automation technology and more labour intensive practices, both overall and relative to expectations, in US manufacturing plants for example (Lewis, 2005).²⁹ When the workers do become redundant, or a firm downsizes or fails, the firm effectively socialises the cost of supporting and retraining such workers.

For this reason, the Australian Productivity Commission concluded that countries need to target the factors associated with productivity and innovation, typically higher-level skills (Productivity Commission, 2006; see also MAC, 2018). This is not, however, simply a matter of replacing low-skilled with high-skilled immigration. While there is a case for targeting those skills that have significant potential to improve overall productivity, a growing economy will also need labour at all levels.

Immigration policy should therefore be designed to fill genuine shortages and incentivise productivity improvement rather than solely target higher skills. The 'cost' to employers of recruiting migrants, including immigration fees, administrative costs and any other requirements, are therefore critical parts of policy design, alongside entry criteria and other types of initiatives to attract the types of migrants sought, as these

²⁹ This suggests that it may be the technologies of firms and therefore productivity, rather than employment rates or wages, that are impacted by the availability of labour associated with lower skilled/waged immigration.

will influence incentives to recruit or train locally or invest in capital, and thereby improve productivity.

The New Zealand Government, for example, is attempting to structure its temporary work permit policy to do this by negotiating new Sectoral Agreements with sectors that have a high reliance on lower-paid temporary foreign workers. These will simplify access to foreign workers and reduce costs for employers in the short-term but require industry commitments and demonstratable progress towards reducing reliance on lower-paid workers and employing more New Zealanders over time.³⁰ The policy has been presented as “helping regions fill skill shortages while ensuring Kiwis come first.”³¹

Other potential trade-offs include that between requiring a job offer and focusing on human capital characteristics, and balancing the potential benefits for migrant settlement of more generous family migration rights with their potential costs, discussed further below. Chapter 4 discusses the potential trade-off between national-level economic benefit and local-level community wellbeing inherent in regional migration programmes.

There is some limit – 'absorptive capacity' – that will affect the balance of positive and negative impacts

Countries have capacity constraints, particularly in the short-term, that will influence the balance of benefits and costs that immigration brings. Design of programmes or initiatives needs to consider a country's 'absorptive capacity' – the level and mix of immigration that can be accommodated while maintaining benefits overall.

This will depend on a country's physical capacity – particularly housing and transport infrastructure, education and health services, together with its environmental context and public attitudes. Capacity will depend on the supply response in markets and in public service provision. This will vary in different parts of the country – pressure will often be concentrated in particular hospitals or particular schools, for example. Impacts on the environment are also very context-specific. Public attitudes will be partly, but not wholly, influenced by these physical factors.

These impacts need to be planned for, and any immigration programme managed within this overall capacity or steps taken to increase it (a point argued in greater detail by Fry, 2014). Failure to do so is likely to negatively affect public attitudes and support for immigration and therefore its sustainability over time.

These issues support the inclusion of some cyclically responsive element in the design of immigration programmes or initiatives. Some countries set and vary their visa 'caps' or 'quotas' to this end; criteria that include requirements for job offers with labour market tests to ensure there are no locals available also effectively build this in. Considering absorptive capacity also suggests that countries should consider their

³⁰ <https://www.immigration.govt.nz/documents/about-us/changes-employer-assisted-temporary-work-visas-sector-agreements.pdf>

³¹ <https://www.beehive.govt.nz/release/helping-regions-fill-skills-shortages-while-ensuring-kiwis-come-first>

immigration levels with reference to net migration, not in order to set a 'cap' or 'quota', since outward migration cannot be controlled, but to inform assessment of their absorptive capacity at any point in time.

Public attitudes are not necessarily related to immigration's economic impact

In any democracy, public preferences will (and should) inform decisions on the level and mix of immigration. Public attitudes will also influence the success and settlement, or otherwise, of migrants in their new country. One consistent finding from the international literature is that people tend to overestimate both the number of immigrants, and their impact on national fiscal systems, wages, and employment (Kustov, Laaker and Reller, 2019). Since impacts will be differently distributed, and often 'felt' very locally, it is critical to understand attitudes in different localities, particularly those that migrants will tend to move to, or that policy or programmes aim to attract them to.

Most countries aim to ensure that the existing population is better off economically as a result of immigration. Attitudes to immigration are not, however, necessarily related to its economic impact. Historically, even when immigrants have brought economic prosperity, public support has not necessarily followed.³² Anti-immigration sentiment tends to be particularly strong in places where there are significant cultural differences between immigrants and the host population. Even in countries like New Zealand, with a long tradition of high immigration relative to its population size, there has been public disquiet in recent years about the impacts of immigration on labour and housing markets, and on public services that are perceived to be under strain (Fry and Wilson, 2018).

Peoples' views about immigration also appear to be relatively fixed. A recent study of nine panel surveys from the US and Europe, including the UK, found that peoples' views toward immigration were "remarkably stable" over time. Views may change temporarily in response to events, but these changes are small and quickly revert to a longer-term norm. The provision of information, or economic and political shocks such as the 2008 recession, Brexit or the refugee crisis, did not substantially change immigration preferences, although they may have changed the importance that people placed on immigration, relative to other concerns at any point in time (Kustov, Laaker and Reller, 2019).

This argues for a wider assessment of the actual and potential impacts of immigration that includes the full range of impacts that people care about, both positive and negative, to inform the level and mix of immigration programme and related policies. This needs to include attitudes and preferences at both national and local levels.

³² Tabellini (2019), for example, found that European immigration to US cities between 1910 and 1930 triggered hostile political reactions even though it increased natives' employment, spurred industrial production and did not result in losses in employment or wages even for natives working in highly exposed sectors.

Two key policy design choices

Given the issues discussed above, two key choices that particularly affect the impact of immigration for both the receiving country and migrants themselves are worth considering in more detail. These are the requirement, or not, for migrants to have a job offer or some other link to employment, and the extent of rights for migrants to bring family members to the receiving country.

Employment requirements

The experience internationally is that employment is the single biggest predictor of successful migrant settlement outcomes. Even if the host country is seeking wider social outcomes, such as population sustainability or growth, migrants need to have a livelihood.

Evaluation of the Canadian points-based system operating in the mid-2000s, for example, found stark differences in the earnings of points-tested migrants depending on whether they had a job offer. Even after three years in the country, those who had arrived with a job offer had average employment earnings of CAN\$79,200 compared to CAN\$44,200 for those without an arranged job offer and were more likely to be in full-time employment (Government of Canada, 2010).

In Australia, permanent migrants selected through the employer sponsored route are more likely to be employed, and in skilled jobs, than those selected without employer sponsorship. This is the case both soon after arriving (at 6 months) and after 18 months, although the gap does reduce over time (Australian Government, 2019a).³³ Other countries have had similar experiences: the Danish Green Card scheme was abolished in 2016, for example, after numerous studies found a majority of highly skilled Green Card holders were working in unskilled jobs (Papademetriou and Hooper, 2019).

Similarly, study-to-work visas that do not require a job offer have had mixed, and often poor, results. New Zealand found that study-to-work migrants were more likely than other skilled migrants to be unemployed or out of the labour force (Fry and Wilson, 2018). Australia and the UK found that significant numbers of these visa holders, including participants in the Fresh Talent scheme in Scotland, had entered relatively low-paid occupations (MAC, 2020; Boswell, Kyambi and Smellie, 2017).

Requiring a skilled job offer therefore improves employment outcomes for migrants and helps avoid deskilling. Carefully designed employment requirements, including targeting areas of skill shortage, can also help ensure migrants are complements to rather than substitutes for local workers, avoid displacement of locals and increase the benefits to the economy.

Employment also helps with retention: studies have found that in both Sweden and Germany, for example, the migrants who re-migrated were those who had not

³³ Interestingly, however, despite slightly poorer employment outcomes, migrants who applied independently from offshore had higher median earnings compared to employer-sponsored migrants after 18 months.

assimilated well into the local labour market (Kerr and Kerr, 2011). Job offer or employer sponsorship requirements can also build adaptability into the immigration system, helping to ensure immigration is responding to the economic cycle more quickly than is likely to be possible through changes to policy criteria or other initiatives.

Migrant employment outcomes also matter for the host country reputationally. Migrants typically arrive in a new country full of hope and expectation and it is not good for a country or region's reputation, and therefore its ability to attract migrants in the future, if they are unable to support themselves or forced to take a job significantly below their skill level.

Given this, many countries either require, or weight their points towards, a job offer and/or employer sponsorship for residence, often with a labour market test, qualifications/skills requirements and/or salary or occupational requirements. Canada, Australia and New Zealand have all, in various ways, shifted in this direction in recent years.³⁴ Regional schemes that allow job offers for less skilled jobs often still require employers to meet a labour market test and/or provide settlement support to migrants. This effectively increases the chances of successful settlement and also increases the 'cost' of recruitment for employers, providing a disincentive to recruit overseas if labour is available locally.

Requirements for a job offer do, however, have their limitations. They are, in effect, using a job offer at the point of application as an indicator of longer-term success and contribution. As such, they tend to reflect current labour market demands, and may miss wider potential or different perspectives and approaches that could be important for innovation in the future (Fry, 2014). If long-term settlement is the goal, it may be better for entry criteria to use wider characteristics that are predictive of the longer-term outcomes sought, rather than a specific job offer today. Australia, for example, has found that a greater emphasis on level of education, English language skills and pre-migration employment experience has also led to improved labour market outcomes (Productivity Commission, 2006).

This depends, however, on a government or region being able to identify with accuracy the factors evident at the point of application that are associated with successful integration and settlement in the long term. Such approaches also need to weigh up the risk of migrants experiencing a period of unemployment initially and any 'scarring' effects associated with this for longer-term employment outcomes, against the potential benefits of more diverse recruitment and easier access for migrants.

³⁴ New Zealand, for example, gives up to 110 points (out of 340) for a skilled job offer; Canada gives up to 200 points out of 1,200 for a job offer; Australia requires applicants for most of its skilled migration visas to be qualified in an eligible skilled occupation and awards up to 20 points (out of 100) for skilled employment in Australia. See: <https://www.immigration.govt.nz/new-zealand-visas/apply-for-a-visa/tools-and-information/tools/points-indicator-smc-28aug>, accessed 16 June 2020; <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/express-entry/eligibility/criteria-comprehensive-ranking-system.html>, accessed 16 June 2020; <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing/skilled-independent-189/points-table>, accessed 16 June 2020.

Family policies

Taken together, family visas of various kinds have been the largest migration channel to OECD countries in recent years (OECD, 2019a). This means that family migration has a significant influence on the overall outcomes of immigration programmes. It is important to bear in mind that family migration policies affect existing citizens and residents wanting to bring overseas family members to their country, as well as immigration applicants.

For immigration programmes, family migration rights are often seen as a way to help attract and retain skilled migrants in a global competition for skills and talent. They can make a country or region a more attractive migration destination, and so provide some competitive advantage. The ability for migrants to bring or be followed by other family members is often assumed to help settlement outcomes. Family members can also help support demand for public services such as schools or health services in areas with low or falling populations.

Cross-country evidence on the impact of family on migrant settlement outcomes is, however, quite limited and the evidence that exists for individual countries is not clear cut. Some studies find that family relations help migrants to establish themselves and broaden their networks; others find that strong family links correlate with lower participation in civil society, for example. Some studies find that spouses help settlement outcomes by improving family incomes or enabling principal migrants to enrol in further education and, similarly, that adult migrants whose parents live with them are more likely to find and to work longer hours, especially when they have young children (OECD, 2019a).

Evidence on whether a *delay* in the arrival of family members affects outcomes also finds mixed results. Migrants whose spouse arrives after them earn significantly lower wages than those who are accompanied by their spouse, even after ten years or more; on the other hand, such migrants are more likely to be in work. Host country language proficiency appears to be unaffected and subjective wellbeing is roughly the same for migrants living with or without a spouse. Delays in family reunification are, however, associated with poorer host-country language proficiency and a lower likelihood of employment for the spouses themselves in a number of countries, and migrant children who spend their early years in the destination country have much better outcomes (OECD, 2019a).

Most results are, however, correlations and it is difficult to disentangle causation. Better outcomes associated with the presence of a spouse or parent may simply reflect the fact that often only skilled or only 'successful' migrants who have an income and good housing situation, are allowed to bring other family members to the host country, either initially or after a period of time. It is also difficult to distinguish the effect of family presence from the general tendency for settlement outcomes to improve over time.

Of course, the impact of family migration on settlement outcomes is only one consideration. The ability for migrants, or indeed existing residents and citizens, to bring at least some family members to a country is usually seen as part of a humane

immigration system, particularly for longer-term or permanent migrants. That said, while more generous family policies can help attract migrants to a country and improve settlement outcomes, they can also come at a cost for the receiving country, particularly where rights extend beyond a spouse and dependent children to adult children, older parents and grandparents, or siblings.

Countries or regions need to clearly understand these costs, as well as benefits, and balance them with other considerations, in deciding what entry and settlement rights to offer. For most countries, migrants or their family members with pre-existing health conditions that would be expensive to treat are a particular concern; there are implications for tertiary education if there is a concern that adult children and siblings will 'crowd out' skilled migrants in an overall immigration programme.

Given this, many countries have made family reunification more restrictive or subject to additional conditions in recent years. On the other hand, while New Zealand has generally been tightening its requirements for family visas, it recently shifted from a capped to demand-driven approach for the partners and children of New Zealand residents to address concerns that a cap could prevent New Zealanders forming a family or returning home (MBIE, 2019).

The ways that countries manage family visa numbers also varies. Some limit family visa numbers, resulting in long queues – waiting times for Australia's Parent Visa are up to 30 years, for example.³⁵ Some have a two-tier system, whereby parents can migrate more quickly provided they can pay – Australia's Contributory Parent Visa, for example, costs from AUD\$47,755.³⁶ This offsets the anticipated costs to the public purse associated with parents but creates an inequity for migrants based on financial means. A new approach recently has been to create a route for parents, and sometimes grandparents, that provides visiting but not wider rights, such as the Sponsored Parent (Temporary) Visa, also in Australia.³⁷

In the case of Scotland, the potential benefits and costs of a "less restrictive" approach to family migration as preferred by the Scottish Government would also be important to understand. Past experience may not be a good guide if Brexit changes the pattern of immigration into the UK. Non-EU ('Rest of World') migrants have been much more likely to bring family members with them than EU migrants (see Resolution Foundation graph, above, p 15). If this continue, and the new UK immigration policy results in a higher portion of Rest of World migrants, this will alter the proportion of family migrants relative to immigration as a whole, and the costs and benefits associated with family migration rights.

Scotland would also need to consider whether it is feasible to have a significant difference in family policies within a wider national (UK) system. Geographic restrictions on residence or employment would need to apply to any family members as well as the principal migrant. Assessment of the overall benefits and costs of such a

³⁵ <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-finder/join-family>

³⁶ [Ibid](#)

³⁷ <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing/sponsored-parent-temporary-870>

policy, would need to include those for other regions in which the migrants would be entitled to live at the end of their visa.

Translating goals into programmes

Most countries balance and express their goals for immigration through their mix of visa types, entry criteria and associated rights, the extent to which categories of visa are ‘capped’ or demand-driven, along with other mechanisms to encourage, incentivise or support immigration of different types. This also enables governments to be explicit and transparent about which elements are prioritised and why, including the balance between high and low-skilled or waged migration needed to target per capita growth or achieve other objectives, and to assure their public that they are admitting migrants able to make either short or longer-term contributions to the country, or both.

Most countries distinguish temporary visas (which usually include visitors, students and working holidaymakers) from their permanent migration programmes. Countries either strictly separate short and long-term migration routes, or create pathways between the two. This may reflect a country’s attitudes towards immigration, but will also reflect their assessment of whether the number and type of migrants who will meet immediate labour and skill needs are the number and type of migrants needed, and likely to be successful, in the longer term.

Within permanent migration programmes, New Zealand, Canada and Australia all allocate or aim to have a majority of places filled by skilled migrants. New Zealand has generally aimed to ensure that 60% of its permanent residence places are filled with business or skilled migrants, with 32-33% for family and 7-8% for international/humanitarian. This has recently been adjusted to a 51%/38%/11% split to accommodate a slightly larger proportion of family and international/humanitarian migrants (MBIE, 2019).

Australia granted 68.5% of places to people in the skilled stream in 2018/19, with 29.5% to family and 2% to the child stream (Australian Government, 2019b). In Canada, economic resident admissions were 58% of new permanent residents in 2018, mainly skilled workers, along with smaller numbers of entrepreneurs and business migrants, with 26.5% being family and 15.5% refugees and others (Government of Canada, 2019).

Countries also vary in whether, and how, they ‘cap’ the number of migrants either overall or in some categories. Some have a mix of categories that are capped and others that fluctuate according to demand – where the strictness of eligibility criteria or the reality of processing times will determine actual migrant flows. Temporary work visas are more typically demand-driven while permanent residence places are typically capped.

Australia³⁸ and New Zealand (MBIE, 2019) set a “planning range” for permanent residence places, for example, to provide transparency and ensure the public has confidence that the Government has control of the number of new residents. Canada

³⁸ <https://immi.homeaffairs.gov.au/what-we-do/migration-program-planning-levels>

establishes projected admissions (targets and ranges) for each of its permanent immigration categories on an annual basis, looking out three years, to strike the desired balance between economic contribution, family reunification and humanitarian support (Government of Canada, 2019). In each case, this enables the country to allocate administrative resources and deliver on commitments around processing times, which is important reputationally.

Finally, countries vary in whether they draw their permanent residents primarily from overseas or from existing visa-holders. In the last 20 years New Zealand, for example, has moved from most residence applications being made from offshore to nearly 80% being made by people already in the country, usually from work visas (MBIE, 2019).

Other types of initiatives: job matching

While much research and assessment of immigration programmes focuses on policy settings, other types of initiatives to attract migrants and support successful outcomes are as, if not more, important in many cases. The OECD has found that for EU countries, for example, it is not the migration framework or specific criteria that poses the greatest barriers to skilled migration but, rather, difficulties in matching international candidates to jobs (OECD, 2019b; see also Papademetriou and Hooper, 2019).

Barriers such as problems with recognition of qualifications, language and cultural differences, difficulty connecting to professional and social networks that might help a migrant find a job quickly, limited opportunities for face-to-face interviews, unfamiliarity with migration and higher costs all make it difficult for migrants or potential migrants to obtain job offers, and also make employers reluctant to hire from abroad. Many country-specific studies, including in the UK, have found that even in cases of labour shortage, employers have not usually considered recruitment from abroad (OECD, 2019b).

Both firms and potential migrants looking at employment across borders typically use private providers (immigration consultants and lawyers) and existing networks. These do not necessarily cover all skill types nor cater well to all types of firms (particularly small and medium-sized). For small firms, recruitment of a small number of workers, or a single worker, is particularly difficult to undertake internationally. International recruitment is also more risky than domestic recruitment for both employers and employees.

This market failure may provide a case for government involvement, facilitation or support, especially for regions, employers and potential migrants that are not well served by private sector providers or able to tap into existing networks. Public involvement may also contribute to more equitable access to migration for both migrants and smaller firms.

Government involvement can take a range of forms. At one end, public authorities can provide information and job matching tools to employers, regions and migrants not well catered to by private agencies. Online job boards and platforms include Australia's

SkillSelect, Canada's Job Bank and the NewZealandNow database.³⁹ These will be more successful (but also more costly) when they include some verification and/or pre-screening, and if they are connected with smooth migration pathways.

At a more active end, governments can support firms or groups of firms to recruit through job fairs, targeted outreach or assisted recruitment programmes, which would otherwise be costly and administratively burdensome, or by facilitating informal networks and diaspora ties. The Wellington Regional Economic Development Agency in New Zealand, for example, recently funded an initiative to create a shortlist of potential candidates for technology jobs from which employers could nominate applicants they would like to interview, and then provided free flights and accommodation for selected applicants.⁴⁰ Other initiatives that aim to smooth the process can include pre-departure training or streamlining recognition of foreign qualifications.

For Scotland, another first step could be to build on existing immigration routes, for example, more actively supporting international students or skilled temporary workers to find and be successful in skilled jobs that would qualify for permanent residence. The UKG's reintroduction of a post-study work visa from the summer of 2021 may provide an additional opportunity to do this.⁴¹

Importance of a robust and 'real-time' evidence base

A further common characteristic of successful immigration programmes is the strength of their data collection, monitoring and evaluation. The traditional immigration countries all track post-arrival outcomes to inform and regularly adjust their entry criteria and fee-setting, and to improve their integration and settlement services.

Australia, for example, surveys migrants after 6, 18 and 30 months, with a focus on labour market outcomes.⁴² Canada maintains a longitudinal Immigration Database that connects data on immigrants' characteristics at admission and short- and long-term social and economic outcomes, to assess the performance and impact of immigration programmes.⁴³

New Zealand reports annually on the performance of its immigration programme against a set of five economic and social indicators – employment, education, English language, inclusion, health and wellbeing. The aim is to ensure that migrants settle, stay longer, help create a vibrant community, boost regional growth and wellbeing, and participate. A second annual report focuses on settlement and integration, to show

³⁹ <https://immi.homeaffairs.gov.au/visas/working-in-australia/skillselect>; <https://www.jobbank.gc.ca/home>; <https://www.newzealandnow.govt.nz/work-in-nz>

⁴⁰ <https://www.stuff.co.nz/business/91188888/more-than-48000-from-around-the-world-apply-for-a-looksee-at-wellington>

⁴¹ <https://www.gov.uk/government/news/uk-announces-2-year-post-study-work-visa-for-international-students>

⁴² <https://www.homeaffairs.gov.au/research-and-statistics/research/live/continuous-survey-australia-migrant>

⁴³ <https://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5057>

other government agencies where they may need to put their effort to improve outcomes.⁴⁴

New Zealand and Canada have also previously undertaken detailed longitudinal surveys to understand how well permanent migrants settle, both socially and economically, and provide information on the factors that help or hinder this adjustment.⁴⁵

Comment

Governments need to design and manage immigration policies so that they have – and can be demonstrated to have – tangible benefits at the national and local levels. This requires policy design that is well informed with evidence about impacts and how they are distributed, and that is well integrated with wider policies to support employment, productivity and community goals and vice versa.

⁴⁴ <https://www.immigration.govt.nz/about-us/what-we-do/our-strategies-and-projects/how-we-support-migrants/how-we-measure-success>

⁴⁵ http://archive.stats.govt.nz/browse_for_stats/population/Migration/lisnz.aspx;
<https://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=4422#a1>

Part 4: Regionally-differentiated approaches

Key points

- There has been an increasing trend in recent years to strengthen incentives and programmes for migration outside major metropolitan areas and to rural areas. Occupational migration, or schemes for particular sectors, can also indirectly target regional areas.
- Regional policies usually involve a lower bar for entry in exchange for a requirement to live or work in a non-traditional destination, particularly remote or rural areas. They may also provide additional support or rights including immediate permanent residence or a pathway to long-term settlement.
- Programmes can attract people to regions for a period of time, particularly if there are economic opportunities. Existing networks, particularly family or migrants from the same region of origin, can also be important.
- Longer term retention, is, however, difficult to achieve unless other conditions are optimal. Once in a country, migrants tend to follow the internal migration patterns of the existing residents. Given this, the link to employment is likely to be particularly important for regional schemes.
- Poor retention rates can raise concerns about 'back door' entry to other regions or countries. These can have consequences for reciprocal rights more widely, as has occurred for New Zealand in relation to Australia.
- Lower entry criteria involve a trade-off between national-level productivity goals and local area wellbeing. This may be worth making for remote and rural areas experiencing population and economic decline but the arguments are less strong when applied to whole nations or states with growing metropolitan areas.
- Key design questions needing careful consideration include:
 - the type of approach – in particular, whether lower entry criteria are necessary or if other approaches could achieve the outcomes sought
 - whether to focus on permanent migrants or more broadly
 - criteria & requirements that will increase the chance of successful outcomes for the principal migrant and any family members
 - partnerships & services required to support successful settlement
 - responsibility for monitoring and enforcement
 - application demand management
 - fiscal costs and benefits in both the short- and long-term, and where these fall across different levels of government
 - how to ensure 'additionality' – that the programme attracts additional migrants rather than providing a cheaper or easier route for those who would have migrated anyway
 - how to avoid exploitation.
- The feasibility and success of regional migration programmes will also depend on public attitudes in the areas the programmes aim to attract migrants to.

Regional immigration programmes

There has been an increasing trend internationally in recent years to strengthen incentives and programmes for migration outside major metropolitan areas and to rural

areas (OECD, 2019a). Such programmes often aim to boost economic development in low population regions, but some are equally motivated by the need to reduce pressure on infrastructure, public services and the environment in main cities. They generally offer different (usually lower) entry criteria for migrants in exchange for a requirement to live or work in a non-traditional and usually non-metropolitan destination for a period of time.

Regional differentiation can occur in a number of ways. The SG’s Expert Group (2019b) provides a useful schema of the options:

Direct differentiation
<ul style="list-style-type: none"> • Region has a distinct scheme
<ul style="list-style-type: none"> • Single national scheme includes regional variation in entry criteria: <ul style="list-style-type: none"> ○ Lower salary or skills threshold ○ More extensive list of occupations ○ Different points weighting
<ul style="list-style-type: none"> • Single national scheme includes variation in stay/settlement criteria <ul style="list-style-type: none"> ○ Longer stay for particular region/s ○ Lower thresholds for settlement for particular region/s
Indirect differentiation
<ul style="list-style-type: none"> • Single national scheme covers occupations/skills relevant to regional shortages
<ul style="list-style-type: none"> • Single national scheme builds in pathway to settlement

Many programmes also offer other benefits, such as faster processing times. Some combine regional and skills/occupation elements such as by supplementing national skill or occupational shortage lists with regional lists.

The design and operation of a selection of sub-national immigration programmes has been described in detail in a number of recent papers in Scotland and are not repeated here (see Expert Group, 2019b; Boswell, Kyambi and Smellie, 2017; Hepburn, 2017).

Effectiveness of regional migration programmes

Recruitment

Regional migration programmes that vary criteria and requirements for migrants can be successful in increasing the proportion of permanent migrants who locate in regional or rural areas.

In Australia, for example, regional immigration schemes have seen an increase in the proportion of non-humanitarian visas granted under the state-specific and regional migration categories from 2.3% in 1997 to 32.6% in 2017/18. There is also evidence of a shift of immigration away from New South Wales to other regions, particularly Queensland and Victoria. There has, however, only been a very modest increase in migrant arrivals to peripheral regions (Expert Group, 2019b).

In Canada, regional migration schemes have seen the proportion of economic immigrants who settle outside Ontario, British Columbia and Quebec increase from 10% in 1997 to 34% in 2017 – a growth its government described as “exponential” (Government of Canada, 2018). Again, however, redistribution of migrants to the less central provinces has been more modest. That said, regional schemes are responsible for the majority of economic migration in some non-traditional destinations, ranging from 59% of economic migration to Nova Scotia through to 96% to Prince Edward Island in 2015 (Government of Canada, 2017).

National-level schemes can incorporate regional elements. New Zealand offers significant additional points towards residence if a job offer is outside the Auckland region, for example. This effectively provides a lower bar for entry in relation to other criteria for people with regional job offers. In 2016/17, 53 percent of applicants for permanent residence claimed bonus points for such offers (MBIE, 2017a).

It is worth noting that all three countries focus their regional migration programmes or initiatives predominantly on skilled migrants (or, in the case of Canada, also ‘semi-skilled’) and use sectoral schemes to respond to needs for lower-skilled or lower-paid workers.

Retention

While regional schemes can attract migrants, the evidence for retention is less encouraging. Retention rates can be positive overall. A 2017 evaluation found that 83% of migrants admitted to Canada between 2002 and 2014 through provincial schemes were still residing in their province or territory of nomination in 2014, for example. But retention rates vary hugely between regions and are typically poorest in the more remote areas – the ones such policies are mainly concerned to assist.

Amongst Canadian provincial programmes, retention rates in the province of nomination ranged from as high as 95% in Alberta (closely followed by Ontario and British Columbia) to 57% for Newfoundland and Labrador and 27% for Prince Edward Island (Government of Canada, 2017). Similarly, there are longstanding concerns in Australia about “leakage” of skilled migrants from regional and remote areas, following the internal migration patterns of native-born Australians (Taylor et al., 2014).

There are exceptions to this experience, but these tend to be regions that offer a lot of opportunities economically. The Northern Territory (NT) in Australia, for example, has had relatively high retention rates, but in the context of good job opportunities being available in the State. Within the NT, however, both population growth and economic activity have been increasingly concentrated into regional hotspots (Ibid.).

This is not surprising. At the national level, it is the relative economic performance of countries and resulting income differences that matter most in driving net migration. Once they are in a country, migrants tend to mirror the patterns of the native-born and move towards areas with the greatest economic and also social opportunities, typically big cities. In some cases, such as New Zealand, initial location decisions are influenced more by the presence of other migrants from the same region of origin than labour

market opportunities. Even there, however, local labour market conditions became more important to location decisions over time (Hodgson and Poot, 2011). Visa requirements that impose restrictions on residence can avert this temporarily, but if countries are offering longer term settlement, then this will inevitably need to include the right for migrants to choose where in the country to live and work.

Poor longer-term retention rates have implications for the wider country, or any other countries in which residents are entitled to live, study or work. Concerns about ‘back door entry’ – i.e., migrants who would not otherwise qualify gaining entry to a country via another jurisdiction – can have wider consequences. In 2001, for example, these concerns led Australia to cut off or severely limit entitlement to social security and other public benefits for all New Zealanders moving to Australia, unless they apply and qualify for Australian permanent residence and citizenship.⁴⁶ This is an on-going concern for New Zealand.

Efforts to improve retention rates and settlement outcomes

In an effort to improve retention, regions have been tending to strengthen employment requirements, or give additional weight to the factors that may encourage retention such as previous work experience or family ties. Some have strengthened the links with employers or local communities to support migrant integration and settlement.

The Atlantic Pilot in Canada, launched in January 2017 and extended to December 2021, for example, is “employer-driven.” Applicants must be international graduates of an institution in Atlantic Canada, high- or intermediate-skilled workers, or graduates from publicly-funded tertiary educational institutes in the Atlantic provinces, and have a job offer from a designated employer, along with language, qualifications and financial requirements. Employers take responsibility for connecting their new workers with settlement services and ensure their workplace is welcoming for newcomers, such as by offering diversity training.⁴⁷

The new Rural and Northern Immigration Pilot in Canada is testing more community-driven approaches to immigration for smaller communities. These enable communities to assess prospective applicants, recommend candidates for permanent residence, and connect newcomers to local settlement services and mentors. This Pilot, however, still requires migrants to have a full-time and non-seasonal job-offer, as well as meet educational, language and financial requirements.⁴⁸

Canada has also introduced additional programmes to target workers needed in key sectors who may not qualify under the skilled categories. Two new pilot programmes

⁴⁶ See

https://www.apf.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1617/Quick_Guides/NZAust for respective entitlements and restrictions.

⁴⁷ <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/atlantic-immigration-pilot.html> ; <https://www.canada.ca/en/atlantic-canada-opportunities/news/2019/03/changes-to-the-atlantic-immigration-pilot.html>

⁴⁸ <https://www.canada.ca/en/immigration-refugees-citizenship/services/immigrate-canada/rural-northern-immigration-pilot.html>./ See also Government of Canada (2019).

were introduced in 2019 for care workers, the Home Child Care Providers and Home Support Workers Pilots, which offer a clearer transition from temporary to permanent status. An Agri-Food immigration Pilot will also aim to attract and retain experienced, non-seasonal workers for the agri-food sector (Government of Canada, 2019).

Australia has recently announced two new regional visa options for skilled migrants, replacing existing schemes, with a pathway to permanent residence. One requires employer sponsorship for jobs in designated occupations, along with skills, language and age requirements. The other enables State/Territory Governments or eligible family members to nominate migrants with relevant skills, again for designated occupations. In both cases, the lists of occupations are more extensive than for non-regional visas, while the employer-sponsored visa builds in stronger regional residency (five years) and work requirements (three years) to qualify for permanent residence. Like New Zealand, Australia also offers additional points for migrants who are sponsored to settle in regional Australia.⁴⁹

In all three countries, it is an ongoing challenge to create the socioeconomic opportunities in non-metropolitan areas that would encourage workers and employers to remain. It is not yet clear whether these new approaches will be able to counter the effect of broader economic forces and lead to greater retention of migrants – and, indeed, existing residents – in more peripheral regions.

Temporary migration schemes

While this chapter has focused on regionally differentiated schemes that attempt to attract long-term migrants, many countries also encourage other types of migrants to locate in regional areas, including temporarily. This can also boost population and economic activity, and help to sustain communities and demand for, and supply of, public services and other infrastructure.

Australia, for example, has recently extended its post-study extension period for graduates who stay in non-metropolitan areas and now allows longer stays for working holidaymakers who are employed in regions (OECD, 2019a).

New Zealand's temporary work permit policy will, from 2021, vary the requirements for labour market testing and visa conditions depending on the nature of the regional labour market. This will make it easier for employers in regions where fewer New Zealanders are available to recruit migrants. No labour market test will be required outside the main cities if a job pays more than the median wage and while there will be longer visas available for low-paid jobs in regions that have a low supply of labour and low unemployment, subject to a labour market test.⁵⁰ Given that temporary work visas often act as a pathway to permanent residence for migrants to New Zealand, this may also help regions attract longer-term settlers.

⁴⁹ <https://immi.homeaffairs.gov.au/visas/working-in-australia/regional-migration>

⁵⁰ All relevant papers and up-to-date information can be found at <https://www.immigration.govt.nz/about-us/what-we-do/our-strategies-and-projects/changes-to-temporary-work-visas>

Trade-offs involved in regionally differentiated policies

The lower bar for entry offered by most regional immigration programmes – and, in some cases, additional rights or additional support – means that they are likely to involve some trade-off between national-level economic benefit and wellbeing in regional or local areas.

All else being equal, lower entry criteria for some migrants will reduce the overall level of skills and experience that migrants bring to the country. If migrants are restricted from moving, then their skills may not be applied in the place where they would add most value. Such policies could enable employers to continue to pay low wages or offer poor working conditions. All three can undermine sectoral or even overall productivity.

On the other hand, wellbeing in regions and local areas requires populations that are at least sustainable and of sufficient size to support the provision of infrastructure and public services (a school, a doctor, transport links). Motivations for regional migration schemes can also include the desire to maintain culture, preserve languages or conserve areas of environmental or historical importance.

Countries may therefore decide that the trade-off with productivity is worth making, especially for remote or rural areas where depopulation and economic decline is a problem. The country may not get the same fiscal or economic benefit from these migrants at the national level but is seeking other outcomes that it values. Moreover, a small number of migrants may make a big difference to rural or remote areas, but only bring a small ‘cost’ (or benefit forgone) at the national level.

Given that the trade-off is likely to exist, however, it is important to be clear and specific about the outcomes sought and the cost or benefit foregone these will incur. Programmes need to be carefully designed to ensure that migrants cannot locate in areas where workers are available to fill jobs and other requirements and fees set so as to ensure employers are incentivised to provide good pay and conditions and recruit locally where possible.

The arguments for making this trade-off are less strong for a state (or, in the UK context, devolved nation) that includes cities that are growing and already attracting skilled migrants. If applied at the whole-state or devolved nation level, schemes with reduced entry criteria risk simply attracting lower skilled migrants to existing metropolitan centres. Schemes that target particular sectors or occupations that face skill or labour shortages are likely to involve less of a trade-off with overall productivity objectives.

Policy design

Given the mixed experience internationally, careful design of any regionally differentiated migration programmes is critical, including assessment and on-going monitoring of:

- how existing residents can be encouraged to live and work in rural and remote areas. The SG's Expert Group has indicated that it is preparing a report on domestic migration within Scotland (Expert Group, 2019b)
- the type of approach required – whether 'lower' entry criteria are necessary or desirable or other approaches could be effective, such as international outreach to attract migrants, support for employers to recruit internationally, and/or settlement support for migrants on arrival
- the types of migrants sought, including the potential contribution of both temporary and permanent migrants to population and economic activity
- entry criteria or visa requirements that will increase the chances of success in relation to the scheme's objectives, whether economic, fiscal or community objectives, or some combination of these
- partnerships (with employers, with communities) and services required to support successful settlement, and the role of Government in these
- whether and how residence or employment requirements are enforceable beyond initial arrival, particularly if circumstances change – for example, an employer relocates, or shuts down, or a national employer wishes to move an employee to another location
- responsibility for monitoring and enforcement – whether this lies with Government, employers, communities, public service providers, or others
- rights or pathways to long-term settlement. Successful applicants to skilled regional schemes in Australia have a pathway towards, but not guarantee of, permanent residence; Canadian provincial schemes offer immediate permanent residence, as does the national-level residence programme in New Zealand; migrants on Tier 2 visas in the UK have a path, but not an automatic right, to permanent settlement⁵¹
- entry criteria and residence requirements for any family members that are able to accompany or follow the principal migrant, and associated rights
- the extent of any rights to, or charges for, public services, including welfare benefits and pension credit, health, education and housing services for the migrant and family members
- how demand will be managed, particularly if lower entry criteria result in over-demand. Immigration advisers, as well as potential migrants themselves, will gravitate towards the easiest, quickest and cheapest route, especially if alternative immigration routes are increasingly difficult or costly. 'Absolute' criteria can lead to long queues. New Zealand introduced an 'expression of interest' tool in 2004, an approach later adopted in Australia (in 2012) and Canada (in 2015) to manage fluctuations in demand more effectively, avoid backlogs and ensure that the best-available applicants were prioritised, in contrast to 'first come, first served' systems
- where fiscal costs and benefits will fall, including after the initial visa and across different levels of government

⁵¹ The Migration Advisory Committee has noted that it can be particularly difficult for Tier 2 visa holders in some public sector occupations and in some parts of the UK, particularly rural areas, to achieve the pay progression required over five years to be eligible for settlement, and has recommended a review of the requirements for settlement including consideration of acceleration for some workers (MAC, 2020).

- how to ensure ‘additionality’ – a faster, cheaper, less onerous or more generous route will attract some migrants who would have migrated anyway, but enable them to pay lower fees or gain more generous rights
- how to avoid exploitation and respond where this occurs. Schemes that are not conditional on employment or employer sponsorship can increase the risk of unemployment and lack of income for migrants, and therefore their vulnerability to exploitation; conversely, migrants whose visa is dependent on a particular job can be reluctant to report any issues if their visa status depends on it. Canada, Australia and New Zealand have all recently strengthened, or are currently strengthening, their approaches to these issues⁵²
- administrative infrastructure – including the roles of and balance between on-shore and off-shore staff, digital infrastructure (for applications and verification), supporting policy and research, monitoring and evaluation, settlement support, and systems for appeals and oversight of immigration advisers.

Finally, feasibility also depends on public attitudes in the region, or remote or rural area, that the programme aims to attract people to.

⁵² For a summary of recent developments in Australia, Canada and the UK, see <https://www.mbie.govt.nz/dmsdocument/7111-addressing-the-exploitation-of-temporary-migrant-workers-developments-in-australia-canada-and-the-united-kingdom>; for the current New Zealand review, see <https://www.mbie.govt.nz/immigration-and-tourism/immigration/temporary-migrant-worker-exploitation-review/>

Part 5: Implications for Scotland

The previous sections have discussed the experience of key traditional immigration countries in recent decades. What conclusions can be drawn from this experience that could be relevant to Scotland? What could immigration contribute to Scotland's economy and wellbeing? What policies could or should Scotland be advocating at the UK level? What could be done to maximise the benefits of immigration to Scotland within whatever wider policy context is set?

This section suggests some broad conclusions to inform Scottish policymakers and public discussion. These questions are, at root, questions about what kind of country Scotland wants to be and should only be decided by Scottish people themselves. The international experience can, however, provide pointers as to what could be, or is unlikely to be, achieved through immigration and how Scotland could maximise the contribution immigration makes to Scotland and its people's outcomes.

Policymakers need to be realistic about what immigration can achieve

Well-designed immigration programmes have been beneficial for the traditional immigration countries overall. These benefits have, however, been relatively small and for some outcomes, such as increased productivity and innovation, the impacts are highly context-specific and cannot be assumed for Scotland.

This suggests that immigration is worth having, but with realism about what it can contribute to Scotland's outcomes. Overstating its potential risks diverting attention from the other policies, and often difficult policy choices, that will be much more important for outcomes. Like other countries, Scotland also needs to be careful that immigration isn't used to mask or avoid dealing with other problems, such as an education system that isn't producing the skills that employers require or poor wages and conditions for workers.

The focus should be on 'growing your own' and addressing root problems

Feasibility also depends on being able to attract migrants, particularly skilled migrants, in an increasingly competitive international context. Scotland is not alone in looking to immigration to help offset population ageing and boost the economy. Competition for skills and talent will only intensify as the ageing of populations in Europe and the US, in particular, accelerates. All countries, including Scotland, need to focus primarily on 'growing their own', including retaining and upskilling their existing population. Efforts to address depopulation or poor economic performance in regions or rural areas in particular need to address the root causes of these problems rather than see overseas immigration as a 'fix all'.

Regardless of the approach taken (policy or other incentives or support), be clear and upfront about the goals and model the scale and mix of immigration required to achieve these

There are good arguments for using immigration to help maintain a population, and to fill skill and some labour shortages in the short-term, but arguments for growing the population are less compelling. A 'bigger' population or economy is not necessarily 'better' for peoples' living standards or wellbeing.

The scale of migration required to achieve the desired goals, and its feasibility and potential trade-offs, also needs to be weighed up. Some objectives, such as scale and agglomeration to support increased per capita GDP, may require a very significantly larger, more diverse and more concentrated population. Even if feasible, which is debatable, this would transform Scotland as we know it today. Others, such as sustaining remote and rural communities, may involve a trade-off with national-level productivity goals.

Modelling the scale required to achieve desired outcomes is critical. If a larger population is a goal, how much larger, what level of annual migration would be required to achieve this, and over what period of time? If sustaining the population is the goal, what level and age mix of migration would be required? What number and mix of people is needed to boost per capita economic growth rather than simply create a larger economy and population? Modelling needs to include other population changes or movements – in particular, the level of expected emigration and natural decrease that any immigration programme is aiming to, at least, offset, and consider the impacts over time.

Being clear about the goal, and modelling the scale and mix of immigration that would be required to achieve it, would allow Scotland to have a more informed debate about what kind of country it wants to be at both national and local levels.

It is worth considering the contribution of temporary as well as permanent immigration.

The boundary between permanent and temporary migration is increasingly blurred: in a global world, talented people often move between countries; many people move to another country to work temporarily, and some subsequently become permanent, while a significant minority of permanent migrants will re-migrate elsewhere or return to their home country. In most traditional immigration countries, the volume of temporary immigration now far exceeds permanent immigration. Long-term retention is particularly difficult to achieve in rural and remote areas unless other conditions are optimal.

Given this, Scotland could usefully consider the benefits of attracting people to live and work temporarily, rather than focus on longer-term settlement as the primary goal. Temporary migrants also boost population and economic activity and, in more peripheral areas, help sustain population and associated demand for and supply of public services and other infrastructure. New Zealand shows that temporary immigration can also provide a 'pipeline' for longer-term permanent residents.

It is critical to take account of the distribution of impacts, between groups and localities, and over time.

Both positive and negative impacts will be unevenly distributed and often very locally 'felt'. Short-term impacts, such as pressure on infrastructure and public services, may obscure longer-term effects, such as greater innovation and productivity as a result of increased skills and diversity in the workforce.

Targeted policies may enable remote or rural locations to attract more migrants for a period, but it is likely that many will on-migrate to other regions (or other nations in the UK) once visa restrictions are lifted, unless there are job opportunities and wider community support to encourage them to stay. The impacts on those wider regions (or nations) also needs to be assessed and factored in to decision making.

The 'mix' or composition of immigration will have a significant impact on outcomes achieved for both migrants themselves and the existing population.

Most countries aim to ensure that immigration results in higher employment for locals – or at least avoids displacement of locals in the labour market – and higher productivity to create better and better-paid jobs.

There is a tension between ease of access to low-waged migrants for employers and national or sectoral productivity improvement. If Scotland wants productivity or innovation outcomes from immigration, it needs to target factors associated with these, particularly high skills. On the other hand, most growing economies need low- and intermediate- as well as high-skilled or waged workers. Policy and programme design needs to strike a balance between ensuring employers are investing in domestic skills and improving wages and conditions, while providing appropriate access to migrant labour.

Most countries do this by restricting access to low-waged migrants to particular sectors or occupations, sometimes with conditions attached to avoid displacement of locals and to encourage a shift to higher productivity models.

More broadly, policies or initiatives should focus on attracting migrants who are 'complements to' rather than 'substitutes for' existing workers as this is more likely to raise productivity and average incomes, and avoid displacement of locals in the labour market or downward pressure on wages. This means thinking carefully about who Scotland wants to attract (whether through policy differentiation or initiatives within UK policy settings), including both principal migrants and any family members. More generous family policies may help attract migrants and ease settlement, and be part of a humane immigration programme, but will also bring costs to the public purse – both potential benefits and costs need to be weighed up in deciding what balance to strike.

Understand what you are prepared to 'pay' in order to support an immigration programme.

A key question is what Scotland is prepared to pay – directly or indirectly – to achieve its goals for immigration. The mix of immigration, including the age mix, the balance of low- and high-waged migrants, and family migration rights or supports, will have a

significant effect on the costs that fall on the public purse and the revenues collected. More generous criteria or support may help to attract and retain migrants but will also come at a cost. A detailed understanding of these costs is critical, so that Scotland can consider what it is prepared to pay or 'invest' to achieve its goals. Similarly, assessment is needed of where costs and benefits will fall between the Scottish and UK governments, and between the SG and local authorities over both the short- and longer-term, so that policy choices are informed by the full range and distribution of impacts.⁵³

Understand the country's 'absorptive capacity'.

Whatever level of immigration is sought, the capacity and responsiveness of the economy, infrastructure, public services and environment, along with public attitudes to migrants, will have a significant influence on the outcomes achieved. It will be important to assess what level of population increase or change can be successfully accommodated and prioritise within this capacity – or make the investments required to support a higher level. This will depend on total immigration, including family migrants, relative to emigration and any natural population increase or decrease.

A key question is whether, or to what extent, Scotland would want to vary its programme according to the economic cycle and, if so, how policy or other initiatives can achieve this.

Importance of employment

The international experience is clear about the importance of employment for successful outcomes. This is likely to be even more important for any pilots in remote or rural areas. It could therefore be risky for Scotland to seek a relaxation of labour market requirements such as a job offer or employer sponsorship as a way of attracting additional migrants unless it can identify with confidence other criteria that are predictive of successful settlement.

Tailor regionally differentiated approaches.

Regionally differentiated policies are feasible but the arguments are strongest for peripheral areas that would otherwise struggle to attract migrants. Labour market conditions in these areas should also be factored into policy or programme design – such as the demand for workers relative to existing labour supply, and the level of unemployment and underemployment in any given area. This will reduce the risk of displacement of locals, and also ensure that wider productivity objectives are only traded off against regional or local wellbeing objectives where this is necessary.

The arguments for regional differentiation across an entire devolved nation such as Scotland are less strong. Scotland's main cities and the central belt, particularly, have growing populations and are able to attract migrants under UK-wide policy settings. Clearly, there are particular sectors, occupations and salary levels where requirements

⁵³ The SG's Expert Group has commented that it will be important to understand the distribution of revenue and expenditure associated with migration across different levels of government (Expert Group, 2019).

and conditions are different to those in the UK as a whole (or the South East in particular). This, however, argues for occupational or sector-specific policies rather than a lower bar for entry across the board. These may also be more likely to gain the agreement of the UK Government.

Any differential policy for Scotland that provided on-going settlement rights would have implications for the wider UK, particularly if it involved a lower bar for entry. Concern about 'back door' entry, particularly against a backdrop of UK Governments wanting to demonstrate that they have 'control' of immigration numbers, is likely to be a significant impediment to differentiation. Efforts that target skilled people, or to meet particular sectoral or occupational needs for which locals are not available, may be less problematic.

Consider how best to influence immigration outcomes.

Increasing the scale of immigration or increasing the benefits from immigration may require some policy differentiation within the wider UK policy framework to reflect Scotland's particular characteristics and circumstances.

There is, however, much that Scotland could also do to influence the level and mix of migrants it attracts and improve settlement outcomes within existing settings. One example discussed in this report is initiatives to improve international job matching, both directly and by addressing barriers that some types of migrants and some types of firms would otherwise face. Another first step could be to more actively support existing temporary migrants to find and be successful in skilled jobs that would qualify for permanent residence.

Invest in the evidence base – and use it.

The range and complexity of immigration's impacts highlights the importance of Scotland having a transparent framework and 'real-time' data to support decisions about the right level and mix of immigration at any point in time.

The SG has argued that migration policy should contribute to the outcomes set out in its National Performance Framework. This has "improved wellbeing and sustainable and inclusive growth" at its core. For its proposed Scottish Visa specifically, the SG has said that it intends "to develop a selection approach that captures social as well as economic value" (SG, 2020).

No country has such a framework in place but initial work on a 'wellbeing' framework for decisions about immigration to New Zealand, developed by Fry and Wilson, could provide a helpful starting point.⁵⁴

⁵⁴ Fry and Wilson's proposed framework is organised around twelve domains based on the OECD Better Life Initiative with additions and adjustments for New Zealand, together with initial suggestions as to how these could be measured in the New Zealand context. It includes the wellbeing of the host population and migrants themselves but not the source countries from which they come. They argue that a wellbeing approach suggests that, broadly speaking, a country should target migrants who would increase the life satisfaction of locals and themselves, which means balancing the benefits of migration (especially skills and greater diversity)

Any framework needs to include precise definitions of what success looks like. As Fry and Wilson put it:

Precision turns wellbeing from hand-waving about good lives into a rigorous policy tool. (Fry and Wilson, 2018).

Any framework also needs to consider complementary policies (economic and regional development, education and skills, welfare, health) to ensure these are consistent and work together with immigration policies or initiatives, including for sectors and regions. Investment in related policies is critical if Scotland is to capture the benefits of immigration for both the existing population and migrants themselves.

A genuine “wellbeing” approach would also consider the costs and benefits and other impacts of Scotland’s immigration programmes or initiatives for source countries, many of whom will be training health, care and other workers only to see their skills deployed elsewhere.

Finally, any significant change to the scale or mix of immigration would require a careful conversation with the people of Scotland, particularly the communities that initiatives aim to attract migrants to, about the type of country, or region, they want to be. Research in communities outside the main metropolitan areas that have experienced significant inward migration in the past, and engagement with locals, could be an important first step in considering whether or how to boost overseas migration to particular parts of Scotland. The support of communities cannot, and should not, be taken for granted.

against the negative effects (such as on the labour market, housing, transport or social services). It also means that the impact of immigration in areas such as civic engagement, work-life balance, the distribution of wealth, and the environment are included, along with more ‘traditional’ consideration such as income and employment. Fry and Wilson note that, once elements such as the effects of migrants on the labour market and housing are included, such a framework starts to introduce some constraints on the scale of migration that can be accommodated, at least in the short term; and the further extension from economic to wider considerations adds additional constraints, for example in relation to the environment or the strength of social networks, which can limit a country’s ability to absorb migrants without reducing wellbeing.

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