Options for Differentiating the UK’s Immigration System

SCDI welcomes this inquiry and the report by Dr Hepburn on ‘Options for Differentiating the UK’s Immigration System’ to enable greater flexibilities for Scotland to respond to its particular demographic and employment needs.

SCDI agrees with Dr Hepburn’s analysis of the demographic needs of the Scottish economy and that the demographic issues for Scotland differ from the UK as a whole. SCDI agrees that the impact of any significant decrease in immigration to Scotland on the size of the working age population and on the ratio of dependants to workers would be an acute challenge for the economy.

SCDI’s broad-based membership strongly agrees that the availability of migrant workers has been beneficial to economic growth in Scotland. As the report identifies, migrant workers are important in many high-skill, semi-skilled and low-skilled roles across a range of sectors in the Scottish economy.

SCDI would also add that diverse workforces tend to generate more productive, innovative and international businesses and economies, major priorities for the Scottish economy. SCDI has previously undertaken research of Scottish companies which showed the high value that they place on the ability to work well with people from other parts of the world. However, they were concerned that Scotland was in danger of being left behind by both emerging economies and the rest of the EU on the availability of ‘global skills’ - less than half (42%) of businesses agreed that they were able to recruit young people in Scotland with the global skills required by the business, and almost half (47%) thought that a lack of young people with the required global skills, in Scotland, may be a constraint on their international business plans over the next five years. Migrant workers can not only help to provide these skills, but they can also help to develop them in fellow workers and in society.

SCDI agrees that Scotland has particularly benefited from EU migration for population growth and the supply of skills into the economy. SCDI members have reported that the result of the EU referendum has already had an effect on the decisions of EU migrants to remain in or come to Scotland to work. This is clear in the latest ONS figures on net migration from the EU to the UK in the year to March 2017. Perceptions of the welcome in the UK, uncertainty about future rights and the decline in the value of the pound are all factors. SCDI members have also reported a negative impact among people beyond the EU on the relative attractiveness of living, working and studying in the UK.

1 www.scdi.org.uk/news/366-scdi-british-council-scotland-find-3-out-of-4-businesses-see-scotland-behind-on-global-skills
SCDI continues to call for the UK Government to provide immediate reassurance on the rights of EU citizens who are living and working in the UK.

While SCDI is concerned that the UK Government has only recently commissioned advice from the Migration Advisory Committee on the economic and social impacts of the UK’s exit from the EU and how the UK’s immigration system should be aligned with a modern industrial strategy, we do welcome the review. It will be important that evidence of the different demographic, social and industrial context in Scotland is presented and accepted in the review and influences the advice to the UK Government.

The report by Dr Hepburn could also have referenced the differing demographic and labour markets needs across Scotland’s regions. Many non-city areas were already projected to decline in population. Population growth was forecast to be concentrated in and around cities, with the largest relative increases in Edinburgh and Aberdeen and their surrounding areas - which have already experienced substantial growth in recent decades². (On the other hand, Aberdeen and Edinburgh have been forecast to be among the UK cities with their outputs most negatively affected by Brexit due to their large shares of employment in private-sector knowledge-intensive services³.)

Consideration should be given to if and how the options presented in the report might meet the demographic needs of Scotland’s regional economies.

Tackling economic inactivity and enabling more people to enter into the labour market, improving skills and investing in technologies can all help alleviate the significant demographic challenges for the Scottish economy. However, unemployment is at a low level and even with these essential actions the availability of migrant workers will continue to be vital for the economy.

The report identifies three categories of options: Soft Levers (devolved activities); Mid-range Levers (influence and cooperation); and Hard Levers (sharing and devolving new competences). Before Brexit is finalised and transitional and new arrangements are clear, commenting on the appropriate mix of these options is difficult. Immigration rules are likely to be significant in the negotiations on trade deals which the UK Government hopes to agree following Brexit. For political and practical reasons, SCDI believes that it is currently unlikely that sharing and devolving new competences over immigration to Scotland will be agreed in the short-term. There could be a phased approach to the options, which reviews at each stage the effectiveness of the options which have already been introduced and the benefits and disbenefits of progressing to the next category of options.

**Soft levers**

**Developing Scottish Migrant Integration & Reception policies**

SCDI agrees that Scotland should aim to be and be known for its excellence in Migration Integration Policy. This could help to change negative perceptions of living

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and working in the UK among some existing and prospective migrant workers which have become more evident following the EU referendum. The proposed One Scotland, Many Cultures campaign to highlight rights and services, Inter-departmental Committee on Migrant Integration in the Scottish Government to co-ordinate policies, and Scottish Migrant Integration Forum to make recommendations on policy could potentially play important roles.

SCDI believes that strong alignment with economic opportunities, quality of life and Fair Work would be useful in successfully engaging migrant workers and employers in and achieving outcomes from any campaigns and fora. It would be critical to ensure that the messages in any campaign are completely consistent with the services available and practical actions to address the key issues for migrant workers. The regional dimension should be considered, including integration into different communities, regional opportunities and skills needs, regional services, and regional representation on the fora.

**International Outreach Activities in Immigration**

SCDI agrees with Dr Hepburn’s recommendation that “there is scope to add a stronger immigration aspect to Scotland’s internationalisation agenda”.

SCDI would support “the development and international marketing of multi-media online materials to promote Scotland overseas to potential migrants”. SCDI believes that in addition to the diversity message of a One Nation, Many Cultures campaign, messages of economic opportunities and quality of life would be key to attracting migrant workers. The Scottish Government has, following the EU referendum, promoted Scotland as ‘open for business’. The message that Scotland is ‘open for talent’ should also been widely promoted.

SCDI agrees that there are a range of current activities which could be given a stronger immigration focus. In addition to the Scottish Government offices abroad and the new Innovation and Investment Hubs which are highlighted in the report, there are also Scottish Development International’s network of overseas offices. The report mentions promoting immigration to Scotland in UK trade delegations, but there are also many Scottish trade missions. Both of these should especially be able to link immigration with industry needs.

The recent Enterprise and Skills Review has concluded that there will be “a much stronger focus on co-ordinating international activity across the public and academic sectors to deliver maximum benefit for Scotland”\(^4\). VisitScotland, Scottish Development International and the Scottish Government have been developing a project to promote Scotland internationally and have now been joined by Universities Scotland, Creative Scotland and Skills Development Scotland. A proposed business case for investment in activity that will encourage target audiences in key markets to visit, work, study, live and invest in Scotland is to be delivered shortly.

Thought could be given to how to promote Scotland as a place to work to visitors, families and friends of international students in Scotland or global alumni networks,

\(^4\) [www.gov.scot/Publications/2017/06/7575/0](http://www.gov.scot/Publications/2017/06/7575/0)
or how GlobalScots could promote immigration to Scotland – and to how to promote the attractions of different regions of Scotland.

SCDI welcomes consideration of the posting of Scottish officials to UK embassies in countries of a strategic immigration interest to Scotland to advise potential migrants. Given the planned co-ordination of public and academic international activity these potentially could also be placed in the international campuses and offices of Scotland’s educational institutions. This would require sufficient funding for Scottish universities and colleges to maintain and build their international activity and presences. In whatever way this would be structured, there would need to be a degree of flexibility in postings as those countries of strategic immigration interest to Scotland would change, for example due to economic and skills needs and new trade deals.

There are other outreach activities which could be further promoted to encourage and enable people overseas to consider working in Scotland. For example, British Council’s International Association for the Exchange of Students for Technical Experience programme provides paid industry placements for international students in the UK and for UK students in over 80 countries worldwide. These also help Scottish companies to internationalise.

Mid-range levers

Increasing Scottish influence in UK decision-making

SCDI has been calling for increased Scottish influence in UK decision-making on economic immigration. In view of Brexit, this is all the more important.

While the Migration Advisory Committee does engage with Scottish stakeholders, increased influence on its recommendations would be welcome. The introduction of minimum salary levels which are more appropriate to the Scottish rather than the London labour market and revising and expanding the Shortage Occupation List for Scotland would be particularly beneficial.

Scotland has a particularly strong case for representation on the Migration Advisory Committee given the different demographic needs of its economy, as is already accepted to an extent by the Scottish Shortage Occupation List. However, SCDI appreciates that there could be a case for wider national and regional representation on the Migration Advisory Committee. In whatever way this representation would be structured, there would be a need for the representative(s) to understand the skills needs across all sectors and skills levels. This could be done through an advisory group of Scottish employers with members drawn from different sectoral and regional organisations.

SCDI agrees that the creation of an annual Population Strategy for Scotland could clearly inform Scottish input into the Migration Advisory Committee. There is already a range of evidence on which this could draw, such as labour market statistics, regional skills assessments, industry surveys and sector skills investment plans, local government data, Modern Apprenticeship data and university and college performance statistics. Following the Enterprise and Skills Review, the Scottish Government is to create an analytical unit to work with agencies and local authorities
to improve the use and sharing of administrative data across the enterprise and skills system in support of the new Strategic Board. The analytical unit could, therefore, support the development of an annual Population Strategy for Scotland. Work on such a strategy should include close consultation with all sectors and regions.

Engagement between Home Office Ministers and officials and Scottish stakeholders is weaker still and – unlike other UK Government departments – has not improved post-referendum. SCDI would welcome the creation of a Joint Ministerial Committee on Immigration. If, as the report suggests, this would meet quarterly with the role of Chair rotating between the governments, meetings in Scotland should be arranged alongside direct engagement between Home Office Ministers and Scottish economic stakeholders.

Immigration rules are likely to be significant in the negotiations on trade deals which the UK Government hopes to agree following Brexit. This is one consideration in the discussions about the potential role of the Scottish Government and Parliament in negotiations for and ratification of trade deals.

**Scottish Sectoral Agreements**

SCDI would reiterate its strong and consistent support for the reintroduction of a Post Study Work Visa in Scotland. We agree with the comments presented in Dr Hepburn’s report. SCDI was a member of the cross-party Post Study Work Steering Group which made ten recommendations for a new post study work visa in Scotland\(^5\). The ability to recruit a greater number of recent international graduates from Scottish higher and further education institutions would supply skilled people into the Scottish economy, including high level skills for growth sectors in which there are skills shortages and skills gaps. The potential for a flexible post study work visa would increase the attractiveness of studying at Scotland's universities and colleges, helping them to mitigate the potential impact of a decline in applications from EU countries and maintaining the benefits of international students to the Scottish economy and to the global skills of Scots studying at the same institutions.

New ONS analysis has concluded that there is “no evidence of a major issue of non-EU students overstaying their entitlement to stay”\(^6\). This suggests that UK Government policy has been based on incorrect evidence. SCDI welcomes this data and the announcement by the UK Government that the Migration Advisory Committee will report on the impact of international students on the UK’s society and economy. SCDI believes that this will identify very positive impacts and that, based on the evidence, the UK Government should remove international students from its migration target and support the reintroduction of a Post Study Work Visa in Scotland.

Last year the UK Government announced a new pilot exercise on the Tier 4 visa scheme which allows international students who have studied master programmes to stay in the UK for six months to find a graduate job. No Scottish institutions were

\(^5\) [www.gov.scot/Publications/2016/03/5056/1](http://www.gov.scot/Publications/2016/03/5056/1)

among the four UK universities to pilot the scheme. SCDI believes that this pilot should be immediately extended to Scotland.

SCDI welcomes consideration of bespoke work permits for specific sectors. The utility and, therefore, the attractiveness of these agreements for employers would depend on factors including the costs, whether the visas would be temporary or permanent, and how much flexibility there would be to move migrant workers to different roles and locations. The relative importance of these issues would vary between sectors and regions of the economy.

If, as the report suggests, specific schemes could also be designed to encourage migrant workers to work in certain industries, there should be a link between the Scottish Shortage Occupation List and these sectoral agreements to make it as efficient as possible to address skills shortages.

**Devolving administrative aspects of immigration**

SCDI welcomes consideration of the creation of Scottish Work Permit Processing office(s). However, questions would need to be addressed.

How would the positive consequences - speeding up processing times applications, making it easier for migrant workers living in Scotland to renew their work permits, and reducing backlog in the Home Office – be ensured?

The key issue for businesses is the time that it takes to process work permits. The creation of an office in Scotland would only speed up processing times and reduce the backlog at the Home Office if there was additional resources and/ or increased efficiency. If final approval was still required from the Home Office there is a risk of more bureaucracy and longer timescales. The report identifies smooth functioning between Scottish and UK government administrative offices as key to this model, but employers would want certainty about how reduced processing timescales would be guaranteed.

Would the Scottish Work Permit office only process work permits for migrant workers to work in Scotland? Employers which operate across the UK may want the flexibility to move individuals to the rest of the UK. Would the Scottish Work Permit offices be able to process work permits for any part of the UK (if so, how would applications from the rest of the UK which would increase their workload be avoided?) If employers recruiting migrant workers to Scotland want this flexibility potentially to move them from Scotland would their applications continue to be processed by the Home Office as at present?

Scottish Work Permit office(s) might be a decentralised administrative office of the Home Office or a devolved administrative office for which the Scottish Government is responsible. The choice between these options may be likely to influence the geographic range of the work permits which the offices are able to process and which of the governments would oversee their budgets.

The processing of visas for visitors to the UK on leisure and business is a significant concern which impacts on the competitiveness of the Scotland for tourism and as a
location for business meetings. In the longer-term, could a Scottish office more efficiently process applications for these visas as well?

**Hard levers**

**Scottish Visa Sponsorship Schemes**

**Devolving Control over Selection to Scotland**

SCDI welcomes consideration of these options and notes the success of regional migration schemes in other countries, including measures to retain migrant workers in regions rather than them move elsewhere in the country.

From the point of view of employers, what matters is that they can meet their skills needs as efficiently and affordably as possible rather than the balance of legislative and administrative responsibilities between the governments. These options offer opportunities to target the specific needs of the Scottish economy, but there are risks that a two-stage process involving Scotland and the UK might increase timescales and costs, and that it might be more difficult for businesses which operate across the UK to relocate migrant workers from Scotland to the rest of the UK to meet their skills needs. This could, possibly, mean that it is less attractive for businesses to locate migrant workers in Scotland and for migrant workers to locate themselves in Scotland. These mobility issues would need to be addressed in discussions with all sectors.

For political and practical reasons, SCDI believes that it is currently unlikely that sharing and devolving new competences over immigration to Scotland will be agreed before Brexit is finalised and while the impacts of transitional and new arrangements are not yet known. SCDI believes that there could be a phased approach to the options in the report, which reviews at each stage the effectiveness of the options which have already been introduced and the benefits and disbenefits of progressing to the next category of options.