

Culture, Tourism, Europe and External Relations Committee

Inquiry - Immigration

Written submission from Scottish Chambers of Commerce Limited

Key points

- Many Scottish businesses are reliant on the skills and availability of EU workers in sectors, including but not limited to hospitality, manufacturing, financial services;
- Scottish businesses require clarity on the residency and employment rights of EU workers, on a short, medium and long-term basis;
- Rather than arbitrary targets, long-term immigration policy and targets must be driven by business and economic need and must be flexible, agile and evidence-based;
- Data should be published by UK Government and HMRC, charting the geographic spread of foreign workers across the UK, helping to identify concentrations of sectoral skills needs;
- EU workers currently fill many very highly skilled roles in the likes of the food and drink, oil and gas and hospitality sectors;
- Sectoral and geographical factors are central to the ability of a UK-wide immigration policy to meet business need;
- Scotland's projected population growth to 2024 is only 3.1%, compared to a projection of a 7.5% increase for England over the same period. Scottish-specific solutions including reintroduction of post-study work visa or worker talent schemes can help Scottish business to address skills shortages.

Introduction

Following the result of 2016's EU Referendum, one of the issues that businesses expressed most immediate concern about was the right of business owners and workers who are European Union nationals to continue to live and work in the UK. Businesses in Scotland have become accustomed to the free movement of labour within the EU single market and have tapped into this availability of talent to make sure their business has the people and workforce it needs to operate and grow their business. A number of Scottish businesses are highly reliant on the skills of EU workers across a range of sectors, including agriculture, food processing, hospitality, healthcare, manufacturing, financial services and retail.

Since the referendum, businesses have been seeking clarity on the residency and employment rights of EU workers and, indeed, foreign workers more generally, with a priority on the following;

- a) the short to medium term rights of EU citizens currently living and working in Scotland;
- b) what will happen during any transitional period following Brexit;
- c) the medium to long term policy for future immigration to the UK.

None of the above issues have yet been formally resolved by the UK Government. Indeed, we are receiving reports from member businesses that the level of enquiries and applications to the Home Office regarding work and residency rights of EU nationals is enormous. Over 3 million European Economic Area nationals are currently in the UK and the systems must be able to cope with the high volume of enquiries from these individuals as well as dealing with migration from non-EEA countries. The Scottish Chambers of Commerce network welcomes the initial offer from the UK Government in terms of securing the rights of existing EU workers but we require an early deal between the UK and EU on this issue at the earliest possible stage of the negotiation process governing the UK's exit from the EU. In terms of long term immigration policy, we believe that this must be determined and driven by business and economic need.

An early agreement on EU workers' rights is essential because business needs to understand the impacts of the Brexit vote on the labour market and how immigration policy must change to accommodate this. Businesses are already reporting changing patterns within the labour market in terms of the availability of workers and we need to understand this and plan transitional arrangements accordingly. If Brexit has depleted the availability of labour by 2019, then government may need to consider action to extend access to the UK for foreign workers until the labour supply can meet business demand.

The Scottish Government must start planning now to ensure that skills budgets for the next decade are being geared towards the developing needs of businesses. It must be considered that any decisions taken on future skills policies and direction require time for adjustment. Once a decision is made, it can take many years to educate young people and individuals on the new opportunities and inspiring the workforce to enter sectors they may never have considered before will have to be tackled.

We must ensure that more of our domestic supply of labour is equipped with the skills that businesses need and that will require extended provision for the retraining of those both in work and outside of work at all age levels. There is a real possibility that domestic skills funding may need to increase if access to international workers becomes restricted.

The Model for Future Immigration Policy

The issue of the UK's ability to control immigration was undoubtedly an important factor in the EU referendum debate and it is clear that the UK government considers that future UK policy in this regard should be to set a target for annual net migration into the UK as a whole. Whilst the Scottish Chambers of Commerce network believes that the setting of such targets can be a reasonable approach, the real question is how these targets should be determined. The SCC Network believes that

annual migration targets must not be determined arbitrarily; instead, they must be flexible, agile and evidence based. Our contention is that future migration targets should be determined through detailed engagement with businesses across the UK in order to understand their skills needs, including which talents can be sourced domestically and which require to be brought in from overseas. Consideration should also be given to where in the world the talents that businesses need can be found. This will enable better, more targeted marketing of UK businesses' requirements for skills to international markets.

In determining the UK's overall skills requirements from overseas, it will be necessary to reflect both sectoral business needs and regional demographics. In these respects, Scotland has very particular needs. Whilst UK immigration rules already recognise some limited flexibility in terms of certain business sectors – for example, oil and gas businesses are able to bring in to the UK overseas workers from other parts of their business – further consideration of sectoral needs will be required in order to define the UK's overall migration needs and targets.

As a first step, the UK Government and HMRC must produce data to chart the geographic spread of foreign workers across the UK. This will help to identify concentrations of sectoral skills needs across the country, for example financial services workers in Edinburgh, agricultural workers in Angus, oil and gas workers in Aberdeen & Grampian, and tourism workers in the Highlands and Islands. Work must then be done to anticipate the future skills demands of businesses in these areas and to plan for meeting these demands from both domestic and international sources. It must be remembered that EU workers currently fill many very highly skilled roles in the likes of the food and drink, oil and gas and hospitality sectors.

The Scottish Chambers of Commerce network does not believe that devolution of immigration powers to Scotland is necessary to achieve a business solution to migration targets, but sectoral and geographical factors are central to the ability of a UK-wide immigration policy to meet business need. However, consideration must be given as to how this can apply within and between the constituent parts of the UK, and here lessons can be learned from other countries with geographically differentiated immigration systems such as Canada and Australia.

In terms of demographics, Scotland's projected population growth to 2024 is only 3.1%, compared to a projection of a 7.5% increase for England over the same period. Such a deficit, if unaddressed by migration, could have implications for Scotland's ability to grow our economy and fund our public services. This is particularly true under the devolved taxation settlement, which assumes that, all else being equal, Scotland's economy will grow at a similar rate to the UK as a whole. This may be more difficult to achieve if Scotland's population – a key factor in economic growth – is rising at less than half the rate of England. In Scotland, hospitality and agriculture benefit from migration, as do many other sectors, and regions such as Borders are acutely aware of the need for a diverse population to support its growth, including development of young entrepreneurs and access to international talent to support its sectors. Scottish-specific solutions including the reintroduction of the post-study work visa or worker talent schemes can offer additional routes for businesses to access the talent they need.

Further Information

Scottish Chambers of Commerce would be happy to assist the Committee further, as may be required, in its Immigration Inquiry.

Scottish Chambers of Commerce Network: Scottish Chambers of Commerce, Aberdeen, Ayrshire, Caithness, Cairngorms, Dumfries & Galloway, Dunbartonshire, Dundee & Angus, East Renfrewshire, Edinburgh, Fife, Forth Valley, Glasgow, Inverclyde, Inverness, Lochaber, Midlothian & East Lothian, Moray, Perthshire, Renfrewshire, Scottish Borders, West Lothian.