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Culture, Tourism, Europe and External Affairs Committee

Thursday 4 April 2019

Session 5

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Pàrlamaid na h-Alba

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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
11th Meeting 2019, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Annabelle Ewing (Cowdenbeath) (SNP)
*Kenneth Gibson (Cunninghame North) (SNP)
Jamie Greene (West Scotland) (Con)
*Ross Greer (West Scotland) (Green)
*Stuart McMillan (Greenock and Inverclyde) (SNP)
*Tavish Scott (Shetland Islands) (LD)
*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor David Bell (Expert Advisory Group on Migration and Population)
Professor Christina Boswell (Expert Advisory Group on Migration and Population)
Professor Rebecca Kay (Expert Advisory Group on Migration and Population)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 4 April 2019

[The Convener opened the meeting at 09:32]

Decision on Taking Business in Private

The Convener (Joan McAlpine): Good morning and welcome to the 11th meeting in 2019 of the Culture, Tourism, Europe and External Affairs Committee. I remind members and the public to turn off their mobile phones. Any members who are using electronic devices to access committee papers should ensure that they are turned to silent. We have received apologies from Jamie Greene MSP.

Agenda item 1 is a decision on taking business in private. Does the committee agree to take in private item 3, which is consideration of correspondence concerning interinstitutional relations post-Brexit?

Members *indicated agreement.*

Immigration Inquiry

09:33

The Convener: Agenda item 2 is an evidence session as part of the committee's immigration inquiry. I welcome members of the Scottish Government's expert advisory group on migration and population. Professor Christina Boswell is the chair, and Professor David Bell and Professor Rebecca Kay are members of the group. Thank you all for attending.

The purpose of today's session is to take evidence from the expert advisory group, which the Minister for Europe, Migration and International Development commissioned to consider the recommendations in the Migration Advisory Committee's report on European Economic Area migration and the United Kingdom Government's proposal for a new immigration system after Brexit. The group was specifically tasked with considering the potential impacts of those proposals on Scotland. I understand that the proposals would mean reducing immigration by between 30 and 50 per cent. Will you summarise the impact, over time, of that reduction on Scotland?

Professor Christina Boswell (Expert Advisory Group on Migration and Population): If I may, before we start answering questions, I will give a brief statement about the capacity in which we are giving evidence today. As the committee knows, we are members of the expert advisory group that was set up to provide advice and analysis to the Scottish Government on migration and population. The group is interdisciplinary, so we represent part of the spectrum of expertise in the group, but we could not be joined by all our colleagues. It is important to note our interdisciplinary nature, because our analysis does not cover just the labour market or fiscal aspects, as the Migration Advisory Committee's analysis does; we also look at demographics, the social effects of migration on communities and the effects of migration in different types of areas in Scotland.

As the convener noted, in our first commission, we looked at the effects of the white paper proposals on areas of devolved competence in Scotland. Given that immigration policy is a reserved competence, we were not tasked with developing policy recommendations, which is an important point to note. For that reason, as EAG members, we will confine our comments to the committee to those that respect that remit. As EAG members, we will not be discussing particular recommendations in relation to immigration policy. However, as individual experts, we have in the past analysed and commented on such issues in

relation to different recommendations. Therefore, if we stray into that terrain, we will simply clarify that we are speaking in our capacity as individual experts, rather than as EAG members.

The Convener: Thank you. I will repeat my opening question, and you can answer it in that context.

Professor Boswell: Thank you for bearing with us.

The Convener: The projected reduction in migration resulting from the MAC's proposals is between 30 and 50 per cent over the coming two decades. What impact would that have on, for example, public finances?

Professor Boswell: I should point out the normal caveat that such projections are always very crude and are extremely difficult to derive, given the uncertainties around the many factors that will influence future migration flows.

Based partly on the analysis of the distribution of salaries of those who would meet the proposed tier 2 threshold, and on the analysis of recent trends of European Union and non-EU migration, we developed two scenarios that demonstrate the potential effects of the white paper proposals on migration. The first scenario respected the analysis of the white paper and assumed that there would be an 80 per cent reduction in migration. The other one was based on our analysis and assumed that there would be a 70 per cent reduction in the inflow of EU workers, as well as factoring in the migration of dependants, family reunions and student migration, and assuming an outflow rate of 50 per cent. Based on that analysis, we projected that there would be a 50 per cent reduction in EU net migration, which would imply a 30 per cent overall reduction in overseas migration to Scotland.

It is important to note that, as we stressed in the report, such aggregate figures, in effect, mask the impacts of those reductions on different sectors of the economy and on different areas of Scotland, such as local council areas. There were also differentiated effects by gender. The key message in our report is that we should look at not just overall net migration figures but the differential effects in terms of geography, sector and gender.

A key thing that the group discussed was how ending free movement and channelling most migration for work through tier 2 visas, which relate to skilled migration, would disproportionately affect a number of sectors that are dependent on overseas migration and in which, typically, there are lower salaries. Sectors including textiles, social care, leisure and travel, sales and elementary occupations would be particularly detrimentally affected. David Bell will be able to elaborate on some of the effects on different sectors.

We also analysed how different geographic areas might be affected. The analysis of the distribution of salaries and the prevalence of certain sectors in different local areas suggests that certain areas—remote and rural areas, in particular, but other areas that face depopulation and have a preponderance of lower-salaried jobs—would be particularly negatively affected by a substantial reduction in immigration or perhaps even the impossibility of securing immigration through tier 2. That summarises some of the sectoral and regional impacts.

The potential impact in terms of gender is also of note. When we analysed salary distribution by gender, we found that there would be far fewer migrants in occupations in which females are typically employed. Therefore, there would be a disproportionate impact on potential female migration to Scotland.

The Convener: Other committee members want to drill down into the impacts on different sectors, so I will leave that to them. I am particularly interested in the overall impact of the changes on public finances and the provision of public services.

Professor Boswell: David Bell, who has done the fiscal analysis, can come in on that.

Professor David Bell (Expert Advisory Group on Migration and Population): The overall reduction in labour supply will have an adverse effect on output. The Scottish Government has done a lot of work at the macro level, which we did not seek to reproduce. I cannot remember exactly when the Scottish Government's report on that came out, but it indicates the overall effects on the economy.

For public finances, we did more nuanced work at the individual level. There are a number of things that it is important to take into account. First, salaries for EU migrants are on average somewhat less in Scotland than in the rest of the United Kingdom, which means that EU migrants in Scotland will contribute less in taxes than those south of the border.

In terms of their use of public services, they are typically relatively young people who will not make significant use of health or social care resources and they will make limited use of the benefits system, largely because a very high proportion of them are working, as our report shows. They will perhaps use more education resources for education for their children. That is common with the rest of the UK, so there is not much difference there.

Then we go to the calculations that have been done for the UK as a whole. At the individual level, EU migrants are net contributors to the public finances rather than net users of public finance. We think that EU migrants will generate slightly less of a surplus in Scotland, because of their lower wages, but that is not sufficient to offset their overall positive contribution to the public finances.

On their long-term contribution to public finances over their lifetime rather than a single snapshot in a particular year, if they stay in Scotland, they will make more use of health and social care resources as they age, but we are getting people who are already educated coming into the Scottish labour market, so that part of the cost to public finances has been met by other countries. Their overall lifetime use of public services is, therefore, that much less than that of Scottish natives.

The Convener: Does Professor Kay want to come in?

Professor Rebecca Kay (Expert Advisory Group on Migration and Population): That is not my area, but I will pick up on your question about public services by coming back to the point about things being differentiated across Scotland. We know that in some of the more rural and remote places a small change in the number of people coming in can make an enormous difference to, for example, keeping a local hospital or local school open. That can have further repercussions not only for migrants in the area but for locally born people.

The Convener: There is a supplementary from Kenneth Gibson.

Kenneth Gibson (Cunninghame North) (SNP): That is what I was going to ask about. One issue is the differences in salary. In East Renfrewshire, 49.5 per cent of EU citizens would meet the £30,000 threshold, if the UK was to go ahead with that—it seems to have put it out to consultation at the moment—but, in the Western Isles, only 16 per cent would meet it.

Page 10 of your report states:

"for remoter rural areas and islands, attracting working-age migrants ... is the only realistic option to avert a downward demographic spiral driven by the age structure legacy of selective out-migration during the last decades of the twentieth century."

You go on to talk about a

"'demographic double whammy', which is likely to have far-reaching implications for economic activity, the provision of services, and levels of general well-being."

Does that mean that the proposals could affect the long-term sustainability of communities and that some communities might not still be here in 10 or 20 years? I do not want to sound alarmist, but what are your fears if the proposals are implemented?

09:45

Professor Kay: That is precisely what it means. There are areas in which the only current contributor to national population growth and the only possible contributor to local population growth is the inward migration of people of reproductive age, to put it bluntly. The local population is so damaged by out-migration and the ageing structure of that population is such that it is not possible for the birth rate to exceed the death rate in those areas.

Kenneth Gibson: Two days ago, I met representatives of the Arran Development Trust, who presented figures to Scottish ministers with whom we had meetings. Those representatives believe that, in Arran, which is in my constituency, the working-age population would shrink by 47 per cent in the next six years because so many people in their 50s are retiring there. We are already having difficulty with, for example, delivering care packages for older people on the island and sustaining everyday services for an island community. Tavish Scott will know more about that than anyone else here. That is a real concern for me and my constituents, so I can imagine what facing that prospect must be like for the Western Isles.

Professor Kay: The Convention of Scottish Local Authorities did some work a couple of years ago that showed that about 50 per cent of local authorities across Scotland put population as their first priority outcome indicator. It is not just a marginal issue of the outer isles or particular constituencies. Obviously it is different in different areas, but it is a significant issue for a significant number of Scottish local authority areas.

Professor Bell: It is important to bear it in mind that, on its own, migration will not solve the problem. Migration is not the full story but, nevertheless, it will contribute to the solution.

Kenneth Gibson: Yes.

Tavish Scott (Shetland Islands) (LD): Absolutely.

Professor Boswell: We should also point out that the recent EU migration has been distinct from previous waves of migration to the UK and Scotland in that it has been much more evenly distributed across all types of areas. Whereas previous in-migration flows were typically clustered around urban areas and cities, EU migration has been much more beneficial in terms of its geographical spread.

That is not to exaggerate its impact. Our colleague Andrew Copus's analysis of the data on

the distribution of in-migration, overseas migration and rest-of-UK migration to different types of areas of Scotland shows that the urban and mixed areas see a higher proportion per capita of inflow. We do not want to suggest that there has been a huge surge of migration to those areas, but very small numbers going to particular local areas can make a significant difference.

Kenneth Gibson: Rural areas also have lower birth rates with lower increases in the indigenous population. That is why there is the double whammy of the lower birth rate in the indigenous population and a higher age structure.

Professor Kay: There is also the potential for public services to be damaged by tighter immigration controls, which could stimulate flight from those areas because, for example, the hospital or the school has closed. That is part of what we meant by the double whammy.

I want to come back to the point about migration not being the full answer, and here I will stray out of the EAG remit and into my research on migrants' experiences of living in more rural and remote places. There are questions about the conditions in which people live and the softer levers over which the Scottish Government has control to think about what would retain migrants as well as locally born people in those places. There are big questions about whether migration is a long-term answer, because migrants can also aspire for their children to leave.

Claire Baker (Mid Scotland and Fife) (Lab): I am interested in those final points. I do not want to go over the recent arguments, but the document says that migration is the only realistic option. Professor Kay is an expert in the area, and the points about how we secure a population are important. Migration is not the only answer in those circumstances.

The work that the group has done on predicting future trends is interesting. The group said that there were three main factors: the change in socioeconomic conditions in EU countries; the conditions in the UK; and the UK immigration policy. It seems that the trends have largely been based on the immigration policy. In conversations that I have had about European issues, it is clear that countries such as Poland and Romania, from which a lot of migrants have come to the UK, are facing their own demographic challenges and see an opportunity to bring people back to help to grow their own economies. Given that that is happening at the same time, why did the group focus more on immigration than the other issues?

Professor Boswell: Our remit was specifically to analyse the impact of the proposals in the white paper on migration to Scotland. We were not tasked with looking at the potential impacts of Brexit more broadly or various changing demographic and political trends across EU countries. We are clear that the projections are premised on that narrow set of variables. We hold constant the other variables, although, of course, we agree with you that we cannot hold those other variables constant in the real world. The Office for National Statistics quarterly net migration statistics from February show a substantial decrease in EU in-migration and an increase in out-migration. In the EU8 countries in particular, there is quite a dramatic decrease in in-migration and an increase in out-migration.

It might be going beyond the EAG's remit to make this point, but we can see that as a natural progression of trends in migration from a particular place of origin to a particular destination. Research on migration suggests that such waves—which are often called migration humps—are typical where a particular sending area has a surplus of young people and others of a working age who are looking for better opportunities, who will migrate to certain destinations. That might have a cumulative effect over the first few years, which means that there is quite a substantial rise in migration, but that tends to tail off over time as that supply of potential migrants is reduced and conditions in the place of origin and the place of destination converge. In the case of central and east European countries, we are seeing particular demographic trends around an ageing population. Arguably, therefore, it is possible that we would have seen the tailing off that I have described in any case, even without Brexit. However, I think that most people would agree that Brexit has perpetuated or accelerated the quite radical decrease in in-migration from central and east European countries.

Of course, we could do another set of projections in which we speculated a bit more about potential future economic, demographic and political conditions in sending countries, which would produce slightly different results, but we stuck quite narrowly to our remit.

Claire Baker: An issue that is linked to that is how the baseline is decided in relation to the five-year period. You will be aware of the recent birth rate figures for Scotland that show a decrease, which I think is the first decrease that we have seen in recent years. We have our own challenges, before we even add in the issues to do with immigration policy. Were you able to take that into consideration?

Professor Boswell: One of the things that I should note about our baseline is that it differs from the National Records of Scotland baseline, which is based on an average of the past 25 years. If you look at average net migration in Scotland over the past 25 years, you are looking

at a period that covers the years before there was a substantial increase in net migration in the mid-2000s. We decided that we would base our work on more recent trends, for a number of reasons that I will not go into just now. However, that meant that we have a more optimistic baseline than the NRS.

David Bell can talk specifically about birth rates.

Professor Bell: The point that you make about birth rates is true. It is also true that life expectancy has declined in the past couple of years, too.

With regard to the kind of time horizon that we were considering, the effect of a lower birth rate will have an effect only on the working-age population right towards the end of that period of time, but the reduction in life expectancy might have implications for health spending and social care spending. At the moment, however, we have only a couple of years' data on that. By and large, we have not made changes in the broad assumptions that would have a significant effect on the relationship between the working-age population and the population who are 65 and above, who are the ones who are expensive in terms of public finances.

Claire Baker: You have set out your remit, and I appreciate your caution with regard to expressing views on how we can go forward. However, the document lays out the impact of the proposed £30,000 threshold and what the impacts of thresholds of £25,000 and £27,500 would be.

Does the group support such an income threshold in principle? How does the income threshold work for people who are already coming through from non-EU countries on tier 2 visas?

Professor Boswell: I will give a general answer and leave the specific issue of the labour market to David Bell. I do not think that it is our place to comment on whether there should be a threshold. One can infer from the analysis in the report that we think that free movement has been beneficial to Scotland, but I will not go beyond that.

Professor Bell: I guess that it is necessary to accept that there will have to be some kind of filter if we are not going to have free movement across the board. The question is, what is a good way—"good" is a bad word to use; "efficient" is better—to design that kind of filter? The MAC has decided to go for a limit in relation to tier 2. In the report, we pull out the implications of that in relation to a number of characteristics: spatial characteristics, characteristics related to gender and characteristics by occupation.

Let me take social care as an example. The industry is already in some difficulty, and the proposal will make it struggle. Social care workers are almost certainly paid at a wage that is less than their value to society. Virtually none of them will qualify under the threshold, and if there are not sufficient social care workers, that might result in more delayed discharges from hospitals and in a greater number of carers—predominantly women—leaving the labour market.

The UK Government might seek social care workers elsewhere, but there will still be an issue with the tier 2 limit because, basically, social care is an industry that does not have the sort of career structure that you have in nursing, for example. Even at the top of his or her profession, a care worker is unlikely to earn £30,000.

Claire Baker: I know that you are not able to express views on future proposals, but from your knowledge of how systems operate, do you think that there could be variations in the threshold between countries or regions, or would any variation have to be done by sector? Is there a possibility of developing policy in that way?

Professor Boswell: There is a range of options, which has been set out in previous documents. For example, I authored a document with Sarah Kyambi and Saskia Smellie that sets out options for a differentiated approach, and I know that Eve Hepburn, who is sitting in the public gallery, has written on that subject for this committee. You could use the Scottish shortage occupation list. You could vary salary and/or skills thresholds for particular regions of the UK and also for particular occupations.

One might infer from our report—again, this goes beyond the remit of our report and the EAG—that it might be useful to think about differentiation by sub-area within Scotland. One of the problems with relying on sectoral or occupational shortage approaches is that we would not necessarily channel the right level of migration to rural and remote areas, for example. If we had particular provisions for chefs or others in the tourism and hospitality sectors, we might get a tendency to concentrate on, and people channelling to, urban areas where conditions might be seen as more attractive, or that might be more obvious destinations.

We might consider looking at, say, council areas as sub-national units that could have particular provisions. Areas that are facing the challenges of depopulation could be subject to a specific occupation shortage approach or a lower salary threshold, for example. I stress that I am talking in my personal capacity, but a range of options exist for differentiation that could address the problems within a single immigration system.

10:00

Alexander Stewart (Mid Scotland and Fife) (Con): The white paper on immigration cites calls for greater consensus in immigration policy and there has been talk of an enhanced role for the Migration Advisory Committee. How do you see that going forward within UK immigration policy?

Professor Boswell: I will make a general comment, and David Bell might well have something to say. The fact that we were set up as an interdisciplinary group reflected a desire to frame immigration and its impacts more broadly, taking into account demographic factors and a broader range of social effects of immigration, and looking at the differential effects on different types of local area. It would be welcome if the MAC was broadened to take into account those different perspectives. However, I am not sure that we envisage that happening, as it has very much focused on labour market and fiscal analysis.

Professor Bell: Christina Boswell alludes to the fact that, like me, all the members of the MAC are economists, so the focus has been on labour market effects and whether changes to migration policy will have a positive or a negative effect on native-born workers, which is one major area; on investment; and on technological change. The fiscal impact, which I mentioned, has also been a particular focus. Given the MAC's composition, it is not surprising, in a way, that its focus has been almost entirely economic.

Alexander Stewart: Because of that focus, which has not expanded, there have been some comments that the MAC might not be fit for purpose.

Professor Boswell: I do not think that we would endorse that view. We have immense respect for the work of Alan Manning and the MAC's rigorous analysis. In so far as it has carried out analysis, it has been rigorous. On the impacts of immigration, for example, it has made a positive and welcome contribution to the debate.

Professor Bell: It has certainly silenced a number of arguments about whether migrants are a net drain on the UK economy, for example, which is clearly not the case.

Alexander Stewart: What dialogue and discussion have you had with the MAC? Has the process in that regard been good, bad or indifferent?

Professor Boswell: It was not part of our remit to engage in formal dialogue with the MAC. We had only a short timeframe in which to prepare the report—it was commissioned at the end of October and we reported at the end of February. We have informal contact with the MAC, but formal dialogue was not part of our remit.

Annabelle Ewing (Cowdenbeath) (SNP): I want to pick up on the point about the status of the MAC. When Professor Manning gave evidence to the committee some time ago, he conceded that there had been no specific financial modelling vis-à-vis Scotland.

In a letter from the Home Secretary to the committee, there is reference to the fact that

"in the MAC's interim update, prior to the publication of the final report, they specifically considered the position of Scotland."

However, it is not clear what that means. Do the witnesses know? Did the MAC go back and do rigorous financial modelling on Scotland? Did it do something else?

Professor Bell: Not that I know of. As Christina Boswell said, we did not have sufficient time to do rigorous financial modelling. We looked at how Scotland compares with the modelling that the MAC did for the UK as a whole. There is nothing that I know of in the public domain that has the same level of detail in relation to the effects of migration on the public finances and so on as the modelling that was done for the UK as a whole.

We have taken some very tentative steps such as pointing out that, unlike other parts of the UK, Scotland bears fiscal risk if there is a change in migration brought about by a change at the UK level. By that I mean that, because Scotland is now responsible for much of its own tax revenue, if there is a downturn in migration among people who, for example, pay income tax—people who earn more than about £10,000—it will impact on the revenues of the Scottish Government. However, in a complicated way that Kenneth Gibson will understand, that has an effect on what comes back through the block grant adjustment. That modelling is very difficult to do. Nevertheless, compared with other parts of the UK, Scotland is more exposed to a fiscal risk in relation to changes in migration patterns.

Professor Boswell: There was also analysis in an annex of the white paper that was published in December that talked about the fiscal impacts of the projected 80 per cent reduction in EU migration for the purpose of work. The results were really quite dramatic, which was part of the reason why we felt that the argument had already been made, in so far as that it would more or less apply to Scotland as well. We felt that it was already out there in the public domain that it would have severe impacts.

Annabelle Ewing: I will continue in a similar vein. We found our evidence session with Professor Manning to be very interesting—and, indeed, somewhat alarming—because there seemed to be an assumption that the new UK

immigration policy should not continue to focus on the

"lower-wage, lower-skill sectors"—[*Official Report, Culture, Tourism, Europe and External Affairs Committee*, 1 November 2018; c 17.]

that he said are currently favoured.

We went on to have an interesting discussion about the potential impact of such an approach on key sectors of the Scottish economy, including tourism and agriculture. In that regard, the Home Secretary said in his letter of 15 February 2019 that the MAC was

"clear that sectors of the economy that normally employ lower skilled migrants, such as tourism, hospitality and agriculture, should compete on wages and work conditions in order to make their sectors attractive to workers."

What would that mean in the Scottish context?

Professor Bell: The MAC's approach is to ask how the market would react if a particular kind of labour—such as EU migrants—was suddenly in short supply. One response might be to increase the wage that is being offered to attract native-born people. Of course, the effect of that would be to increase costs, which would then increase prices, and then the question is whether businesses would still be competitive.

Another market-based approach might be to say, "Let's substitute capital for labour in this sector and increase investment." Entrepreneurs and producers make the decisions that they do because they see those decisions as contributing to the best way to produce whatever it is that their enterprise is designed to produce.

For example, in the agriculture sector, there might no longer be cheap EU migrants, so a soft fruit producer might offer higher wages to attract native-born people. If that does not work—it probably will not, partly because the areas where that industry is strong are not areas where there are lots of young people who might do such jobs—the producer might decide to get a machine to pick their soft fruit, but some of the machines that would be required have not yet been invented. That is an issue. The producer might then decide to get out of soft fruit altogether and to use the land for another product; in the area where I live—Perth and Kinross—it would probably be potatoes. However, the potato market is a different market, which is not as profitable as the soft fruit sector.

In those circumstances, farmers are left facing a very difficult set of choices. It is all very well to say, "You should do something else," or, "You should pay more for your workers," but that has implications for economic output and, therefore, for the incomes of the farmers and the community as a whole.

Professor Boswell: In general, we would not want to rule out the idea that, in certain sectors, there might be some benefits from reducing the pool of low-skilled, low-salaried labour, but one would have to do a sector-by-sector analysis to work out the options for substituting other products or investing in capital and so on. We are lacking that analysis at the moment. One should not assume that there is a blanket solution or a blanket set of responses, as is the case with the MAC analysis.

Professor Kay: Towards the end of last year, the Scottish Government commissioned Scotland's Rural College to do a study that looked specifically at agriculture. I do not remember the exact percentage, but a very high percentage of farmers said that they would switch to non-agricultural production if labour was not available. That would have repercussions for local communities, environmental policies and all sorts of other aspects of Scottish policy.

Annabelle Ewing: Indeed. It would also have repercussions for the food supply. The comment was made that the MAC's focus was entirely economic, but I would argue that if we imperil the food supply, we endanger the environment and affect the sustainability of communities right across Scotland. I do not mean to be at all disrespectful to our three witnesses, but what is the point of being a purist economist—

Tavish Scott: You are a purist lawyer.

Annabelle Ewing: I am not a purist lawyer; I am a middle-of-the-road lawyer.

What is the point of that when we would see great swathes of destruction? Surely economic modelling is supposed to help to foster economic growth. I do not know; I am a lawyer, as Tavish Scott rightly reminded everybody.

Professor Kay: I am anything but an economist, purist or otherwise. From that perspective, I do not want to get sucked into a conversation about whether the MAC is fit for purpose, but there is an issue with any approach that does not look at the broader repercussions. As a sociologist, my problem is that I look too much at what people tell me and what their experiences are, and I can miss the bigger picture when it comes to the physical effects, for example. The strength of our group is that it tries to bring those things together.

However, I definitely think that MSPs need to consider the broader repercussions and how things join up. We can talk about mechanisation, but how would that work for social care? If social care in Scotland is largely purchased by local authorities, where is the room to shift the economic modelling for that and raise salaries? As David Bell already said, social care is paid below

its social value. I certainly would not argue for a model that said that migrants will accept low wages, so we will just continue to provide social care at a cost that is below its value. There is a much bigger set of issues to take into consideration around that.

10:15

Professor Bell: I will make a final point, which relates to what Christina Boswell said. We tend to think of this from a short-term perspective, and there are adjustments that have to be made in the short term. It is probably true that the MAC has been taking a long-term perspective, because a change in the type of production is a medium to long-term venture and there is bound to be short-term disruption. Whether there can be long-term success is an open question, but a restricted labour supply is bound to have a negative effect on growth and incomes.

Annabelle Ewing: It is interesting to hear all your comments and, in particular, Professor Kay's comment that, as a matter of principle, we should not just accept low wages that are below the social value of the work. I do not do that, but I am a pragmatist, nonetheless. We are where we are at the moment and we need to get to another place, but we cannot do that overnight and nor can individual sectors—agriculture and tourism, in particular.

Where does the seasonal agricultural workers pilot stand with regard to numbers and, from the modelling that you perhaps did, what is its likely impact?

Professor Bell: My understanding is that the pilot will involve 2,500 people across the UK as a whole. Scotland had about 14 per cent of the workers in the seasonal workers scheme, which is well in excess of its population share. However, if Scotland were to get 14.6 per cent of the 2,500 people in the pilot, just two or three of the soft fruit farms around Blairgowrie would absorb all of them.

It is a pilot, so it is not supposed to be the whole solution. We will see how it develops. It involves non-EU migrants. It would have to be expanded very considerably if the agriculture-related industries that need seasonal workers are to be maintained. I stress that those are the parts of agriculture in Scotland that have been growing the fastest in recent years.

Annabelle Ewing: Can you put a figure on the number that we would need? Have you been able to make an assessment of that?

Professor Boswell: The seasonal agricultural workers scheme had a cap of 21,250 workers until it was discontinued in 2016. I assume that Scotland would need at least that number of workers, but you can see the difference between that number and the 2,500 workers for the pilot. We should emphasise that it is only a pilot scheme.

We have talked about the adjustment from a dependence on lower-wage models but we have not yet mentioned that the white paper has a proposed transitional channel for migrants at all skills levels, which might run until 2025. It is a bit short on detail, but one of the key provisions is that there would be a maximum 12-month period of living and working in the UK, followed by a 12-month cooling-off period. One of the things that Rebecca Kay's analysis points to is the detrimental impact on local communities of that short-term approach to migration. If the committee is interested, perhaps she could briefly say something about that.

Professor Kay: For me, it comes back to the question of the different impacts and the different policies at national Government and local government level. One of the fundamental differences is about the understanding of migration. For example, the wish to resolve demographic and local sustainability issues through migration as part of the picture in Scotland is markedly different from the UK-wide perspective, which is focused on bringing down net migration and, especially for lower-skilled workers, on temporary schemes with specific blocks to longer-term settlement. Freedom of movement circumvented that, but the temporary scheme that is proposed for lower-skilled and lower-paid avenues of migration is specifically designed to prevent anybody from staying in the longer term. There is a 12-month limit and a 12-month cooling-off period so, once someone has been here for a year, they will have to leave for at least a year before they can come back.

That has implications for employers. In the seasonal migration that we have had over the past 10 years or so, there has been a lot of circular migration, with the same people coming back regularly, year on year. That means that employers do not have to retrain people or re-induct them into the business or the local area. Over time, some people have shifted from circular patterns of migration to staying for longer periods and eventually sometimes to permanent settlement.

In Scotland, there is a coming together of the areas that most need people to stay for longer and to bring their family members with them, with the areas that are most likely to be able to bring in people only through the temporary scheme. As well as the temporary nature of the stay and the cooling-off period, the scheme specifically says that people cannot come with dependants—

children or non-working spouses. That will have on-going repercussions, particularly for more peripheral areas.

Annabelle Ewing: Indeed. That is very gloomy, but thank you for that explanation.

The Convener: I have a supplementary question for Professor Kay. What are the social implications of the shift from long-term to short-term migration? In previous discussions on post-2004 movement to Scotland, we have noted how the populations that have come here have enhanced communities in Scotland and made them more diverse. People have integrated extremely well and have made important social contributions to those communities. Will there be a shift from that if we move to a short-term approach?

Professor Kay: The social implications are potentially quite gloomy. It is important not to paint an overly rosy picture of people's experiences of migration to Scotland. There are people who have had very good experiences and who have done precisely what you have just described. However, especially in more peripheral areas, we found people experiencing severe social isolation and difficulties with improving their English language skills because of their work-life balance and working regimes.

I will not go too much into that because, nonetheless, one of the hardest sorts of migration to manage at local community level is one with huge amounts of churn. If people know that they can come for only a year and that they cannot come back for another year after that, and if they work in fairly low-skilled employment and probably for very long hours to make as much money as they can before they leave, why would they spend time going to English as a second language classes? What is their motivation for doing that? Some people, such as younger people and students, will come for a year to improve their English and they might be very motivated to do that, but they will have issues with integrating in the community and with how much opportunity they have to spend a lot of time in community spaces.

In the past 10 years, local authorities have invested considerable time and resource—financial and human resource—in building up systems to support the patterns of migration that have developed under free movement. I certainly do not want to say that migration from areas of the world other than the EU is by definition worse or more problematic and that we do not want people who are not European, but that would require new investment and realignment of the provisions, because local authorities would have to deal with different languages and cultural groups and with people coming and going much more constantly.

One of the worst experiences that we heard about is of seasonal migrant workers living outside a town and being bussed in once a week to the local Morrisons. None of them speaks English. Nobody understands what they are doing—they do not understand what they are doing. There are no opportunities for them and the local community to come together in such circumstances.

The Convener: We will see a lot more of that.

Professor Kay: Potentially.

Ross Greer (West Scotland) (Green): I wanted to come back to the minimum income threshold, but I will stick to the 12-month residency period followed by a 12-month cooling-off period. Is there international precedent for a similarly developed country having set—regardless of the length of period—a residency period followed by a cooling-off period? I realise that there is no precedent for the wider situation that the UK is now in.

Professor Boswell: There are extensive examples of that. The typical approach of Organisation for Economic Co-operation and Development countries that are trying to regulate lower-skilled migration, especially seasonal migration, is to have quite limited rights and short stays. Whether that is a constructive approach is another question.

That said, there are examples of countries that have had schemes to recruit people across the skills spectrum, or to lower-skilled occupations in which there are acute shortages, and they have offered more accommodating packages of rights and pathways to longer-term settlement. In the cases of Canada, Australia and New Zealand, some provincial or regional programmes offer more or less the full set of rights, including access to permanent residence from the outset. In limited cases, that applies to lower-skilled or lower-salaried jobs, too.

There are precedents, but the overall picture is that OECD countries tend to differentiate between lower-skilled occupations, for which they have much more restrictive packages, rights and settlement opportunities, and higher-skilled occupations, for which there is competition to attract human capital and the best brains, so the red carpet is rolled out in terms of rights and the attractiveness of the packages.

Ross Greer: You mentioned that the question whether the net result of those policies is constructive is another matter. Have you looked at that? Do any of the panel have background knowledge on the issue? Putting to one side the social impact that we have just discussed, do such policies have a net positive economic outcome?

Professor Boswell: That is very difficult to analyse. It depends on which lens one uses to

look at the effects. If you are looking at particular shortages being addressed for example, you can definitely see positive effects.

It is difficult to model the effects in the longer term. If we consider regional programmes, New Zealand's Canterbury programme, which recruits people across different skills levels, is seen to be successful. Such programmes are often adopted over a period when particular economic or demographic challenges are being faced. The programmes might then be phased out. The tools are often adjustable.

There is precedence for the approach in the settler countries—Canada, Australia and New Zealand—and in Spain and Sweden. Their experience is that such tools are very useful for meeting immediate labour shortages. Obviously, modelling the longer-term effects is much more complex. Perhaps David Bell will say something about that.

Professor Bell: I have no experience of that. In general, the schemes probably involve work that does not need a lot of training and in which career progression is not likely to be an issue for the people involved. Therefore, you end up with relatively low-skilled people working—as Rebecca Kay said—very long hours just to get sufficient income to do something else. Such schemes engender a short-term perspective rather than a career perspective among the participants.

Professor Boswell: One scheme is an exception to that. Canada had a live-in worker scheme that was, I think, closed down a short time ago. It offered a package in which permanent residency was offered to people in order to attract them to quite unappealing jobs, in which they had to work for five years but would then be liberated, and have a family reunion and permanent residence. In a sense, it was a matter of doing a deal. Some countries have decided to make such offers for unappealing jobs that are very difficult to fill.

10:30

Professor Kay: A final issue relating to the temporary scheme that causes me concern is based on the experiences that we have seen migrants having in lower-paid jobs during the period of free movement. They simultaneously had access to social security benefits, social housing, tax credits and other forms of support, but in the temporary scheme those will not be available and there will be no recourse to public funds. It is not clear to me how some of the lower-paid work will provide people with an income on which they will be able to live successfully, even for a relatively short period.

Given that the people would not be coming with dependants also raises a concern for me, because previously we have certainly seen people being very attracted by the fact that they could have a relatively low-paid job but have access to social housing, for example, and therefore could live quite well in comparison with what was available to them in rural Poland or Romania. That will be brought into question by the new scheme.

Ross Greer: We have a minimum wage that is below the minimum amount that people need in order to live above the poverty line, so if people are reliant on the minimum wage and have no access to public funds, it will be impossible for them to have a decent standard of living.

I will move on to the minimum income threshold and other countries that have used similar policies. Are you aware of the methodology by which those countries have decided the threshold? There has been much debate here about the figure of £30,000 being, essentially, arbitrary.

Professor Boswell: The threshold depends partly on the system. In Sweden, for example, the social partners are very involved in setting a minimum wage per sector. That reflects the social corporatist culture in Sweden. I do not think that that approach would necessarily be replicable here. The threshold can also be set through labour market analysis. Those are the two obvious approaches.

Professor Bell: I cannot recall exactly, but I think that the MAC chose a particular point in the income distribution. If the median income is £25,000, £30,000 is quite a bit above that, and it will exclude workers who are unskilled, or who are relatively unskilled in terms of UK qualifications. That is a different approach, and it is clear that it is not a consensual approach: it is a matter of picking a number.

The threshold depends on the particular way in which income is distributed in the country that is making the decision. I think that we have pointed out that the income distribution of EU workers in the UK tends to be more polarised than even the UK income distribution, in that some do really well and some do pretty poorly. That has been the focus of most of our discussion this morning. Those people do long hours for relatively low rates of pay. Even if the threshold were to be moved to median income or to 25 per cent below median income, that would still not pick up some of those people.

Tavish Scott: I will follow Annabelle Ewing's sensible line of questioning on the seasonal agricultural workers scheme. Your report says—I think that David Bell was hinting at this—that only 365 workers would come to Scotland under the pilot, compared with the 9,300 seasonal workers

who are currently engaged in Scottish agriculture. That is the end of the food industry.

Professor Bell: This is hearsay, but I think that there are already difficulties in that sector.

Tavish Scott: Yes, there are. You mentioned some sectoral analysis, specifically with regard to agriculture. Has any detailed sectoral analysis been done in the context of the overall approach across tourism, the care sector and other key industries?

Professor Bell: The Scottish Government has done some macro analysis, but it does not target issues sector by sector. In the time that is available, we did not think that we would be able to do that. I tried to do it with some sectors including nursing and hospitality, but you have to find the key people with whom to engage. I thought that I had, but maybe I did not. certainly, there is room to do such an analysis. It would be beneficial to have more information in relation to hospitality and nursing, for example.

Tavish Scott: We will need more detail if we are going to argue for a change in policy on the ground that the approach is detrimental to every aspect of the Scottish economy, and in terms of the sociological points that you have been making. We can argue in the abstract that the approach is wrong, but I think that this is an issue that absolutely needs detail. Do you agree?

Professor Bell: I agree. It depends on the lens through which you look at the issue. We have quite reasonable spatial information, so we can get detail in that regard. However, it would be difficult to take an industry-by-industry approach with the data that we have. We could not do that unless we were to engage industry by industry, and I do not have enough raw data to do that analysis on my own.

Migrants are difficult to capture in a general survey that is meant to catch the whole of the Scottish population. Obviously, they move around more so it is difficult to trace their addresses and interview them, especially when they are moving between their country and this one. However, with the right amount of effort, we could certainly pick a few other industries and expand the analysis.

Tavish Scott: My final question concerns the university sector. I do not know whether you have done any analysis of it. My brother-in-law is a professor at the University of Aberdeen, which is losing contracts and academic links to European and other universities around the world. That will continue until this thing is sorted out. Universities could be described as being one of the powerhouses of the Scottish economy. Have you done any analysis of their situation?

Professor Boswell: Universities UK has recently done some such analysis. Some of that involved people who are reconsidering their stay in the UK, including EU nationals who are thinking of returning home.

We must remember that academic salaries would typically meet the £30,000 threshold, but there is a range of administrative and professional support roles that would not. Scottish universities are very dependent on EU nationals to fill many of those roles, which means that they will take a big hit.

However, even though academics can enter through tier 2, it is not a popular route. The white paper suggests that, in many ways, the situation will be made more flexible for employers. For example, the resident labour market test would be abolished. We might see a relative easing of the conditions for non-EU nationals who currently come under tier 2. Some of them come under tier 1, as well.

In the University of Edinburgh, 24 per cent of academic staff are EU nationals. We are already seeing the effects of the signal that Brexit is giving that the UK is not a welcoming country. Projections are being made with regard to what will happen in the event of the university not having access to certain streams of EU funding—in particular, European Research Council and Marie Curie research grants. That sort of thing will influence people's thinking on where they want to be located. Even assuming the best scenario of a liberal and easy approach with regard to tier 2, under which academic staff can enter the UK, the UK education sector will take a negative hit.

Apart from that, of course, there is the impact in terms of students, availability of post-study work opportunities and so on. There is some moderate liberalisation in that respect, but it is not extensive. It does not put us in a competitive position vis-à-vis other countries that are expanding and improving their offers to international students.

Kenneth Gibson: I know a German professor who taught at Heriot-Watt University who has returned to Germany because the atmosphere that has been created by this scenario made him feel unwelcome here.

Could the UK Government's proposals trigger the fiscal framework's no-detriment provisions?

Professor Bell: That is a good question.

Kenneth Gibson: And you are the man to answer it.

Professor Bell: We are up for a review quite soon, I think. The question is whether Scotland, in the interim, will be made worse off if its per capita income tax drops below a certain level relative to UK per capita income tax. I have been looking at

recent developments and trying to assess, on the assumption that the whole UK economy will take a hit, whether the Scottish economy will take a worse hit. I should say that this is nothing to do with the EAG report.

Sectors in Scotland that will certainly be hit include, as has been mentioned, hospitality and food production. However, Scotland is not so exposed to some other sectors that are already in crisis, such as the automotive sector, and it is not so involved with companies that have close cross-Channel links. The whole picture is relatively bad, but on the question whether it is relatively worse in Scotland, I guess that, at the moment, it is perhaps not. However, it would be rash of me to hang my reputation on that forecast.

Kenneth Gibson: And such a sparkling reputation it is, too. [*Laughter*.] David Bell is very well respected, of course.

Should more research be done to see where Scotland will lie post-Brexit?

Professor Bell: Yes—absolutely.

Kenneth Gibson: It is a reality that some sectors will be seriously hit—I have already touched on fish processing—so this is an issue that we really need to get our teeth into in the months ahead.

Professor Bell: I agree.

The Convener: Does your group have the capacity to take on additional work?

Professor Boswell: It is envisaged that we will have future commissions. Initially, we were set up for one year. I think that, in the autumn, the Scottish Government will review how things will be taken forward. We are expecting further work to be commissioned.

The Convener: Have you had discussions along those lines with the Scottish Government?

Professor Boswell: Yes, and the discussions are on-going.

The Convener: Thank you very much.

Stuart McMillan (Greenock and Inverclyde) (SNP): Good morning, panel. My question is about students. On 28 January, the Home Secretary announced that if the UK left without a deal, the UK Government would seek to end free movement as soon as possible. However, it is also considering introducing through the Immigration and Social Security (EU Withdrawal) Bill a transitional element under which students who want to stay longer than three months will need to apply for permission to receive European temporary leave to remain, which is valid for a further three years.

Are you aware of any reciprocal arrangement between the UK and the EU27? If a student goes to another country to study, they could be there for longer than three months; indeed, when I was in my third year at university, I studied in France for four months and in Germany for another four months. Every year, 17,000 students leave the UK to study in the EU. Is there any arrangement that will make things a bit easier for them, or will they have to face what is a continually complicated situation?

Professor Bell: I am not sure of the answer to that question.

Professor Kay: It is certainly true that if it were not possible for students to go for more than three months, a large number would be affected. I do not know whether any reciprocal arrangements are being discussed.

10:45

Professor Bell: Individual universities have agreements with institutions abroad, and they use them extensively. Of course, they have to abide by whatever regulations they are faced with. It is common to have arrangements with US universities, which have four-year rather than three-year undergraduate degrees.

Professor Kay: I work in the central and east European studies unit at the University of Glasgow, and we have agreements with institutions in Kazakhstan, Russia and Ukraine. It is possible to have such agreements outwith the EU, but they are complicated.

Professor Boswell: I would think that the potential shift in the fees structure would have a greater effect. At the moment, EU nationals benefit from not having to pay fees in Scottish universities, and I think that changing that position would have a much more significant impact.

Stuart McMillan: Thank you. That was helpful.

A few moments ago, Kenneth Gibson asked about the issue of no detriment in financial terms. The executive summary of the report that we are discussing indicates that any economic change might affect Scotland disproportionately, but that seems to conflict with—

Professor Bell: The comment in the report relates to migration, whereas my response to Kenneth Gibson was about Brexit as a whole, and outwith the EAG's remit.

Stuart McMillan: That is helpful. I just wanted to get clarification on that.

The Convener: When Professor Manning was at the committee, I had a brief discussion with him about the Canadian model of differentiated migration in different provinces. The MAC

appeared to dismiss that, although evidence from the Canadian Government highlighted by our adviser, Dr Eve Hepburn, showed that, although there was differentiation across the different provinces, immigrant retention rates in the different provinces were quite high, at about 82 per cent. Clearly there are differing views on the matter, but will you explore differentiated migration systems in future?

Professor Boswell: It is possible that we might look at the issue again, but I think that a lot of studies have already been done on the different possible systems for differentiated migration policy. We could revisit that, but we are probably not going to be asked to develop any recommendations.

On the retention rates that you mentioned, I do not think that they are particularly robust systematic figures, but you can approach the issue either way. I have to say that 82 per cent seems quite high compared with the figures that I have seen, but you can look at those figures and say, "They seem to be losing quite a substantial share," or, "They're retaining quite a substantial share, so it must be a success." In such systems, there is a built-in propensity for people to stay in a particular region from the outset through the points-based system and how it is adjusted. For example, those with existing ties to or family in a particular area or those who have studied there can be privileged, and you can then use soft levers to make continued stay or longer-term settlement more appealing to potential migrants. I think that that is where the focus would be.

We have to be quite cautious about drawing lessons from countries that have quite a different history of migration, different public philosophies or different traditions of thinking about immigration. Canada, Australia and New Zealand are what we call settler countries whose national identity is defined by and very caught up in thinking about themselves as countries of immigration. The UK is quite distinct, and when we discuss options for something like the Canadian or Australian systems, we have to bear in mind that those systems, although very rigid and robust in their selection processes, give those who get in a very full set of rights and access to permanent residency from the outset. That is, in many ways, an appealing model—I am speaking now in a personal capacity—but it would be quite a shift from the approach to immigration that we have seen in the UK since the second world war and in other European countries. We just have to bear in mind that we cannot neatly or simply import different models or systems.

The Convener: I totally take the point, but given the very dire challenges that we face in Scotland, which you have outlined articulately, what sort of system should we be looking at?

Professor Boswell: Again, I do not really want to be drawn on the issue, but I think that there are two ways of looking at it. One could think about designing an ideal immigration policy that was differentiated and which took Scotland's perspective into account, or one could adopt a more pragmatic approach and look at the margin for manoeuvre within the proposed changes to the migration system and different ways of tweaking, adjusting or varying the UK's points-based system. For example, there could be different types of differentiated approach in tier 2. Those are the two ways of looking at the issue, but I do not think that it is my position to comment on which is better.

The Convener: Does anyone else want to comment?

Professor Bell: We need an approach to place that perhaps we have not had in the past. The background to this is demographic change. Some parts of Scotland are going to have quite different experiences from others, and we really need to develop a broader understanding of the social and economic implications of that. Migration is part of the story, but it cannot be the whole story, and we need to have a debate about how best Scotland can address the demographic challenges and its implications for within-Scotland demography—in other words, the distribution of people across different parts of the country.

Professor Kay: I second that. If, from Scotland's perspective, having a UK-wide system is problematic, because it assumes that Scotland is the same as the rest of the UK, it also needs to be recognised that Arran, for example, is not the same as Glasgow, and that there must also be differentiation within Scotland.

For me, the other thing that is often missing from any discussion of migration policy is the migrant perspective and how their experience differs in different places, depending on the package of rights and experiences that someone might have.

When we look at retention issues from a migrant perspective, we see that what makes people stay in the longer term is the cumulative effect of being somewhere over a period of time. Another really important factor is whether people are able to have their children with them, because once those children go to school and are embedded in a system, families become much more reluctant to leave. Those things are often skimmed over or missed in discussions, because the assumption is that, as long as we make this possible, everyone will of course come—or, indeed, as long we make it possible, everyone will go to London. Such

issues need to be slightly more nuanced in these debates.

The Convener: With that, I close our evidence-taking session. I thank everyone for coming along and giving evidence.

10:52

Meeting continued in private until 11:03.

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