EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 10 May 2005

Session 2

£5.00

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by Astron.

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE
9th Meeting 2005, Session 2

CONVENER

*Mr John Swinney (North Tayside) (SNP)

DEPUTY CONVENER

*Irene Oldfather (Cunninghame South) (Lab)

COMMITTEE MEMBERS

*Dennis Canavan (Falkirk West) (Ind)
*Mrs Margaret Ewing (Moray) (SNP)
*Phil Gallie (South of Scotland) (Con)
*Mr John Home Robertson (East Lothian) (Lab)
Gordon Jackson (Glasgow Govan) (Lab)
*Mr Alasdair Morrison (Western Isles) (Lab)
*Iain Smith (North East Fife) (LD)

COMMITTEE SUBSTITUTES

Ms Wendy Alexander (Paisley North) (Lab)
Murdo Fraser (Mid Scotland and Fife) (Con)
Richard Lochhead (North East Scotland) (SNP)
Nora Radcliffe (Gordon) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Alastair Nicolson (Highlands and Islands Enterprise)
Alex Paterson (Highlands and Islands Enterprise)
Professor Joan Stringer (Universities Scotland)
Charlie Woods (Scottish Enterprise)
Professor Robert Wright (University of Stirling)

CLERK TO THE COMMITTEE

Alasdair Rankin

ASSISTANT CLERKS

Nick Hawthorne
David Simpson

LOCATION

Committee Room 1

Scottish Parliament

European and External Relations Committee

Tuesday 10 May 2005

[THE CONVENER *opened the meeting at 14:01*]

Item in Private

The Convener (Mr John Swinney): Good afternoon. I welcome members to the ninth meeting in 2005 of the European and External Relations Committee of the Scottish Parliament. I have received apologies from Gordon Jackson. Members will note that we have a rather long agenda ahead of us.

The first item is to decide whether the committee wants to take in private item 7, which is consideration of our report on the preparations for the G8 summit and the United Kingdom's presidency of the European Union. Is that agreed?

Members *indicated agreement*.

Fresh Talent Initiative Inquiry

14:01

The Convener: Item 2 is the taking of further evidence for our fresh talent initiative inquiry. The Executive launched the fresh talent initiative, and the committee has decided to inquire into its origins, operation, approach and impact. We will have two panels of witnesses with us today. Our first panel is Professor Robert Wright, of the University of Stirling, and Professor Joan Stringer, of Universities Scotland. The second panel will be representatives from Scottish Enterprise and Highlands and Islands Enterprise. I invite Professor Stringer and Professor Wright to introduce themselves and to make any brief opening remarks that they want to make before members begin to ask their questions.

Professor Joan Stringer (Universities Scotland): Universities Scotland—of which I am a member by virtue of the fact that I am also principal and vice chancellor of Napier University—very much welcomes the opportunity to give evidence to the committee. We are particularly glad to have been asked for our views because we believe that we are the sector in Scotland that, perhaps more than any other, will have a significant responsibility for delivering the fresh talent agenda. We are probably also the sector that is most likely to be affected by it. I will say a little bit more about that later.

Those who work in Scottish higher education strongly support the fresh talent initiative because we believe that it has a number of benefits. First and foremost, it will help the Scottish higher education sector to develop and maintain its important links with other countries. As internationalisation increasingly becomes part of our agenda, we have a coincidence of interest with the fresh talent initiative. We also believe that it will help to bring talent not only to Scotland, but to our universities. Much of the best work—especially in research—will not take place without the contribution of talent from outside Scotland. Napier University has just appointed a new director of its centre for timber engineering—a centre that is unique in the UK and, indeed, in Europe. We had to search for a director from outside Scotland to help us to develop what is a hugely successful centre. Other universities have advertised posts similarly, especially in maths, sciences and the environmental sciences—subjects in which the majority of highly qualified researchers these days come from outside Scotland.

We believe that fresh talent is beneficial to all students and staff in the sector and enables our students to learn in a more cosmopolitan environment. As universities, we have a

responsibility to prepare our students for working and living in a global environment, which is part of our internationalisation agenda. Last, but not least, our international work is an important source of income to universities.

For those reasons we are grateful that the sector has been put at the heart of the fresh talent agenda, although it is probably fair to say that Universities Scotland believes that people do not always appreciate how important the sector is in delivering on that agenda.

A straightforward graph has been circulated that shows net in-migration. It has been divided clearly into five-year bands and shows net Scottish migration by age. I apologise that I have not noted the source of the figures, but I can supply it later—they are Government statistics. Positive net in-migration occurs within the 15 to 19-year age band, which is the age band into which students fall. The majority of that in-migration is from the student body, without which Scotland would be a net exporter of people. No other sector of Scottish life comes close to higher education in attracting talent to Scotland.

Until recently, Universities Scotland was not engaged closely with the international agenda or international policy, which was felt to be a matter for individual institutions, which have, of course, been active. However, that is changing. We have set up a group to consider how policy needs to develop in the years ahead.

I suppose that this is a bit of a health warning: we as a sector do not yet have a set of clearly articulated policies, but we are aware that there are cross-sectoral issues that we will need to address if we are to make the initiative work positively for Scotland. We believe that there is scope for building on the improvements that have been made to develop a well-articulated national strategy for attracting fresh talent. Given the large number of agencies and initiatives, there is a risk that a rather unco-ordinated approach will develop if we do not take a more strategic view. We need better marketing. The United Kingdom brand is important in higher education, but within that we need to ensure that the distinctiveness of the Scottish brand comes through.

We are attracting undergraduates and postgraduates and we need to do more to support them and to give them the right experience, which we can do. Increasingly, postgraduates are bringing their families with them.

Costs can be significant. We can do little about the pound but we could explore more widely the possibility of offering more scholarships. Some work has been done on that but we must do more.

We all know about the situation with visas. We hope that recent unhelpful moves on visa costs will be reversed. Universities UK, assisted by Universities Scotland, is lobbying Westminster on that issue.

I have said enough, convener; thank you for your indulgence.

Professor Robert Wright (University of Stirling): I am professor of economics at the University of Stirling. Most of my research is in the area of population economics—the interaction between demographic and economic variables. I have prepared and distributed a handout that outlines the problems that we face. If committee members want, we can go through the handout in detail later.

The fresh talent initiative will not achieve its objectives. It focuses on a stock of people and not a flow of people, but population change is dynamic. Any policy that is adopted will have to be perpetual. It will have to go on for ever or, at least, for a long period.

To cut to the chase, we should consider the two main features of the fresh talent initiative. The first is the spending of money, one way or another, to promote Scotland as a place to work, live and stay. That is a positive development. If we want people to move here and live here, we have to tell them about the place, and that is good.

The second main feature—and the one that we will be talking about—is the issuing of two-year visas to foreign students who are studying at Scottish institutions. We know how many students fall into that category each year: the figure that is bandied about in the press is 9,000 a year. If that figure is correct, we will have 18,000 additional people in Scotland at any particular time. However, when people's visas expire after two years, there are two possibilities: they could leave, to return to their own country or to go to another country; or they could stay here. What is lacking in the policy is a way of turning the two-year visas into something more permanent. Only through people's staying here will there be an impact. We have a stock policy, and a flow problem.

There has been much discussion in the newspapers of what the key problem is, and there is still massive confusion. The key problem is not whether we can afford to pay for free care for the elderly or for pensions, which we will have to pay for anyway, one way or another. The key problem is this: at the end of this decade, the number of people in the age range 20 to 64 will start to decline drastically. That is shown on a graph in the handout. Census information tells us that about 95 per cent of employment is in that age range. Therefore, if age-specific employment rates do not change—and they have not changed that much in the past 15 years in Scotland—we can expect the number of people in employment to decline.

People might say, "Oh well, employment rates will have to go up," but my answer to that is "Why would they?" Employment rates go up only if wages go up. If wages go up, we will certainly attract more people into the labour force, but we will make ourselves less competitive as labour costs go up. We will start off on something that is often called the demographically induced spiral of decline, with lower and lower economic growth.

A problem is building up. The potential number of workers will decrease and, in any economy, that is a negative feature. We need a policy that allows us to increase the labour force. Mr McConnell has often said that we need to grow the population and grow the economy because we need to grow the labour force. He is absolutely right. The focus must be on attracting people of labour-force age, filling the vacancies, and ensuring that the labour force grows, but that will not be achieved by issuing two-year visas to foreign students who are studying in Scottish institutions.

14:15

The Convener: Thank you for those two opening statements.

Professor Wright, you indicated that there is a problem with the objectives of the fresh talent initiative and that what the Government has proposed so far is not an adequate solution. Will you advise the committee what measures would be required to achieve the objectives?

Professor Wright: I am not absolutely sure what the objectives of the fresh talent initiative are, but I know what needs to be done, which is that the labour force needs to be grown. To grow the labour force, one needs to have in place a policy that matches people to jobs, not jobs to people, as we have now. There are vacancies, there are needs in the economy and there are labour shortages, and the Administration requires to go out and attract the people who are needed. In Canada, we have had a points system in place for 40 years. The department of employment and the department of immigration are essentially the same ministry. The employment side asks, "What people do we need?" and the immigration side goes out and finds them. Two months ago, Citizenship and Immigration Canada was recruiting in the Stirling area, to try to get people to move from Scotland to Canada.

Scotland must be able to compete in the international labour market and it must know what type of people it is looking for. We do not know what type of people will show up at Scottish universities five or six years from now, but we have a good idea of the type of people we will need for the economy: we will need young workers. The number of young workers will decline dramatically, and the number—or the potential supply—of older workers will increase. There are two trends: the number of younger workers will decrease and the number of older workers will increase. If workers of different ages are not perfect substitutes for each other—which seems to be the case—then we have a problem.

The Convener: So you would advise a much more focused effort to identify the people who can fill the skills and labour shortages, and a fairly relentless process of pursuing those individuals in other countries.

Professor Wright: That is right. There are distractions from the longer-term trends. We heard a week or two ago that there has been an increase in net migration to Scotland. Essentially what has happened is that 100,000 people moved to Scotland and 75,000 people left, so net migration jumped up to about 25,000, which is triple the number in the previous year. Two years before that it was negative, by 3,000. What has caused the big surge? Some people have said that Scotland's population crisis is now solved. Work that I have done indicates that if we really wanted to address population decline and population aging, we would be talking about immigration levels of 50,000 or 60,000 a year.

I think that the recent increase is due mainly to European Union enlargement. Ten countries have come online, and there is a build-up of people and so on. There will be a sharp increase in population, but that should not be used as a reason for not pursuing polices that will work in the longer term. The countries of eastern Europe are growing too—their economic growth is a lot higher on average than growth in most of the rest of Europe. The flow of people from those countries will slow down. The difficulty in the next few years will be to decide how many people on average will come to Scotland year on year from the 10 countries that have joined the European Union and how many and what type of people we need on top of that, and then to convince them to live, work and stay in Scotland.

The Convener: You mentioned that the Canadian Government had been recruiting in Stirling. How common a practice is it for individual countries to pursue the tactics that you are talking about and to identify individuals and proactively secure them for the labour market?

Professor Wright: The Canadian Government and the provincial Governments work in unison on immigration matters. Although immigration policy is a federal issue, there is a devolved dimension to it in Canada, and provinces help to decide which people they need and negotiate with the federal Government. People who are willing to live and work in a particular province might be allocated more points for that.

The recruitment in Mr McConnell's back yard in Stirling came about because about 200 truck drivers were needed in Saskatchewan—or it might have been Manitoba. It is easier for people to immigrate to Canada if they agree to take a certain job for a set period of time in a certain province. That is how it is done. The visas are issued by the federal Government, but people go to live in a certain region, whether it is Ontario or Quebec, or it could be Scotland, England or wherever. There is a regional dimension to immigration policy. If there was not, all the immigrants in Canada would want to go to Toronto, Montreal or Vancouver, just as most immigrants in Britain would prefer to go to London or the south-east because that is where the economy is most vibrant. That does not mean that people would not come to live and work outside that area if there were incentives to do so. In Canada and Australia, the incentive is that it is easier for them to immigrate if they agree to live in certain areas. A deal is a deal and if they break that deal, they are deported, so the policy is very strict.

Mr John Home Robertson (East Lothian) (Lab): I wanted to follow that up but I think that you have just answered the question. It is one thing to let people into a country on the understanding that they will live in a particular area—Scotland in our case—but if someone arrives in the United Kingdom, Scotland does not have a border that we can close, and we would not want to, so there is a likelihood that people will gravitate towards the places that might seem to be more attractive. You are saying that, in Canada, if those people move out of the area that they have agreed to move to, they are deported.

Professor Wright: That is right. They have broken the arrangement, so they are subject to the law. I find people's attitude remarkable. When I talked about the system a couple of years ago, the response from the Scottish Executive was that we would need to put border crossings and controls at Carlisle—I did point out that Carlisle is in England. I am from a place near the border between Quebec and Ontario and we do not have borders controls there. I do not read on the front pages of newspapers about immigrants, of which we have many in Canada—more than 300,000 per year—agreeing that they will live for five years in Edmonton and then, as soon as they land in Edmonton, leaving, going underground, working illegally and not being eligible for any benefits because they want to be in Toronto. It is not impossible to do this. The basic statistics and research say that if a person moves to an area and they stay for two years, the probability of them moving is low.

The key aspect for a country such as Scotland that has never had an immigration policy is that one has to get people here and then think about how to get them to stay for at least two years. If they stay for two years, they will not move on. I came for one year and stayed for 14; I am a good example, because I had no intention of staying here, but that is what happens. If we can get people to stay for the minimum time, the chances are that they will stay on for a long time and will not run off to London. However, there must be something in the policy that will convince people to stay.

Mr Home Robertson: I am sorry to stop you, but how do you know where the people are?

Professor Wright: It is easy in Canada because they are monitored through their employment. We have had identity cards in Canada for 30 years, so we know where everyone is working. It is all computerised and on databases so it is not difficult to find out if someone has broken the deal.

Professor Stringer: To a considerable extent, I agree that we need more focus and to take a more strategic approach to the issue. Professor Wright is talking about pinpointing the areas to which we need to attract people to come and take up employment. For me, higher education and universities can work closely with Government to help to provide some of the programmes that will fit the new employment opportunities, job prospects and the needs of the economy; there is a coincidence of interests. Most of the research shows that, in future, the net increase in jobs in Scotland will be in jobs for people with graduate-level skills. That is not just replacement or continuing employment; the growth in the number of jobs will happen in creative industries and related areas in which graduates and people with graduate-level skills will be required.

I will pick up on a point that Professor Wright made. Scotland has the highest retention rate in the UK, if not of many other European countries, of graduates when they emerge with their qualifications. Graduates from Scottish universities stay here. About 84 per cent of graduates from Scottish universities stay, so I agree that if we bring people here and they like it and achieve benefit, they will stay. I, too, came here 25 years ago to stay for two or three years, and I am still here, so I like the place very much.

The Convener: You and Professor Wright provide two fine examples.

Phil Gallie (South of Scotland) (Con): Professor Wright talked about the working-age bracket from 20 to 64—I go along with that. He also mentioned that Canada recruited truck drivers. Does he agree that the equation for attracting people here is made up of many factors, including flexibility of working arrangements? Will the current efforts to apply the working time directive drive people away, benefit Canada and

cost us, despite our efforts with the fresh talent initiative?

Professor Wright: I am not sure that the question is one for this inquiry, but I will answer it, if you want me to.

The Convener: It is material, but you can only give your opinion.

Professor Wright: Anything that makes work more flexible and costs employers additional money drives people out—we know that. It is like a tax. If employers are taxed, they become less profitable and have lower growth rates. Eventually, they start to shed workers. We want to reduce rather than increase costs to employers, if possible. All the legislation that we talk about tends to have costs.

Phil Gallie: The individual economy is involved, too. For example, truck drivers like to work extended hours.

Professor Wright: I agree. Figure 10 shows what is going on. I do not necessarily agree with what Joan Stringer said. Since 1950, we have had about 3 million people in the 20 to 64 age group. The figure has dipped and risen, but it has not changed much. We can see that, from the end of the current decade, the figure will decrease by about 30 per cent and we will lose 650,000 people in that age group.

If employment remains almost exclusively concentrated in that age group, as it is now, we will need not only skilled people, but unskilled people. We will need people across the whole skill distribution. We will need semi-skilled truck drivers and people to run Joan Stringer's research institutes. I am sorry to say that generating university graduates and keeping them here for two years through fresh talent will not address the scale of the decline.

Professor Stringer: The initiative will address part of the decline, though.

Irene Oldfather (Cunninghame South) (Lab): Does Professor Stringer or Professor Wright feel that an EU approach to economic migration is a factor in all this? I do not know whether either witness is aware of the European Commission's green paper on that. Does that set part of the context for the fresh talent initiative?

Does either witness know whether other regions in Europe face the same demographic problems? If so, what initiatives are they taking? Despite Professor Wright's criticisms, my experience is that we are a little ahead of the game in highlighting the issue and taking steps to resolve it.

14:30

Professor Wright: The European green card programme is still a policy paper proposal. Of course I know about it. I was always curious about whether the Scottish Executive and the Scottish Parliament or the UK Government sat at the table when the proposal was discussed, because it is not mentioned much in the immigration debate in Scotland.

The policy is simple. It would make it easier to match people to jobs in European Union countries that sign up to the agreement. I do not know whether we will sign up to that policy, but I am quite confident that the fresh talent initiative is not a substitute for it, because it is directed across the whole skill distribution. A European Union country says, "This is the type of person that we need," and the amount of visa paperwork that is required to process that person and get them from country A to country B is reduced. That is an indication of how seriously many of the other countries in the European Union take their demographic situation.

Another aspect of the fresh talent initiative that was mentioned earlier is an externality that is a bit worrying—I cannot see the students who are studying here liking it. We are talking about increasing the potential supply of university graduates. For the reasons that I mentioned earlier, that might be a good idea, as they tend to be young and there is going to be a shortage of young workers. However, that will create more competition for jobs, which will push wages down, and if we push wages down we will continue to do what Scotland has an unfortunate history of doing, which is exporting a lot of its young, skilled people to other regions of the United Kingdom and other parts of the world.

In a way, the fresh talent initiative is good, because if it reduces the wages of university graduates and highly skilled workers, that is good for business; however, at the same time it might increase emigration. We talk a lot about immigration, but there is emigration as well. A lot of people are leaving Scotland—the graph that has been supplied by Universities Scotland shows that—and, historically, Scotland has been a place that has exported people. It is one thing to have an initiative that brings people here and convinces them to work, live and stay here; however, 100,000 people came here last year and 75,000 people left. Let us start to think about how we could have kept the 75,000 who left—that has not been part of the debate, but it should be. If we can reduce emigration, we can increase net migration. If younger people are involved, that will not only slow population decline; it will also slow population aging.

Irene Oldfather: So, part of the objective would be to retain Scottish graduates in Scotland. The

figures that we received at our previous meeting from the registrar general indicate that, year on year, since 1999—since devolution—there has been an increase in retention.

Professor Stringer: Yes. It comes back to the point that I made a little while ago that Scotland has an excellent record in retaining its graduates. The highest retention level in the UK after Scotland is in the London area. In the rest of the UK, there is a net outflow of graduates, and the level of retention is something like 10 or 15 points behind that in Scotland. I disagree that we need to do more to retain our graduates; what we need to do is refine our policies. I agree with what you said in your opening question. Scotland has started to think about these issues earlier than many other countries that are faced with similar demographic issues. That is to the good. I suspect that the policy that we have is not perfect, but can you name me a policy that is?

Irene Oldfather: It is a start.

Professor Stringer: It is really about improving and building on what is there. The whole thrust of the Executive's policy is absolutely right; the challenge is to get it to work to Scotland's benefit.

Irene Oldfather: Professor Wright, you cited Canada's regional approach. Do you have any examples of countries in Europe that take such an approach? I do not think that you responded to my earlier question on that.

Professor Wright: The only examples that I know of in Europe are where the Governments are subsidising people to move to certain regions—for example, southern Italy. I know of no other policies like the fresh talent initiative. However, I think that, once the so-called European green card system is in place, it will address regionality. That will be the deal: the job will be in place A, and someone will go to place A for the job and will live, work and stay there.

Irene Oldfather: One of the difficulties that we face is that migrants tend to be attracted to cities. Sometimes, the skill shortages are outwith cities. The challenge is to match up people and jobs within a regional context without arresting people. We are not in a federal system with borders—we are not in Canada—so we have a different system. We must find creative approaches to solving that problem, and the fresh talent initiative seems to be a reasonable start. From discussions that I have had in Brussels, I have found that people are interested in how we are approaching the issues here, although there is still some way to go.

Iain Smith (North East Fife) (LD): My question returns us to what may be a more practical and mundane level. I am interested in some of the comments that Professor Wright made. His suggestions were pretty much in line with the suggestion that the Liberal Democrats made in the recent election about having a system in which we try to match—

The Convener: We are trying to recover from the election, Mr Smith. Please do not remind us of it.

Iain Smith: The point that I was trying to make was about the need to match skills needs directly to immigrants. That key point needs to be addressed not only at the Scottish level but at the United Kingdom level.

I have a practical question for Universities Scotland in particular. What particular problems arise from the current system for visa applications? Does the current system place barriers in the way of fulfilling the aims of the fresh talent initiative?

Professor Stringer: The primary barrier is cost, which I mentioned earlier. We have seen a considerable increase in the cost of visas. Very recently, an announcement was made that the cost of a student visa application would rise by more than double. The cost has risen quite considerably for students who need to apply for fresh visas to stay in the country and continue their studies.

Universities Scotland believes that that does not send a particularly good signal to students who want to come and study in Scotland and in the UK. It is particularly heavy—

The Convener: In practical terms, does it put people off?

Professor Stringer: There is no direct evidence of that as yet. That said, Universities Scotland wants to look more closely at the issue of cost. I understand that Universities UK is doing some work on the issue at the moment.

Let us say that someone who has a family to support has to extend their visa two or three times in order to complete the writing up of their PhD. If each application costs £500, we can see the considerable cost that is involved. I cannot help but think that that cost may be a factor in people's choices, although there is no evidence as yet to suggest that that is the case. Many institutions are getting better at advising overseas students to apply for slightly longer visas to overcome the problem. That said, the bottom line is that those costs cannot be seen in a good light.

Mrs Margaret Ewing (Moray) (SNP): In your opening statement, you made the interesting remark that Universities Scotland has not been fully involved in the international scene. You said that you had set up a working group or some other body to address that. Will you tell us more about what you envisage in that respect? How will the working group tie into Scottish Executive policy

making so that the co-ordinated approach that you would like to see is put into practice?

Professor Stringer: The group is a newly-formed body that has yet to meet. The remit and focus in terms of its key priorities are therefore yet to be determined. The group needs to look at the areas on which Scottish universities and higher education institutions can work together. We need to promote Scotland overseas in a way that has not been done before, except perhaps informally. I do not want to give the impression that institutions do not work together, as that is not the case. International offices sometimes work together when we are recruiting students overseas at exhibitions and so on.

We want to see how the Scottish brand can be better promoted. We want to work with the Scottish Executive and other key players, such as the British Council, to influence and lobby where necessary but also to assist in a positive way where interests coincide, as I believe they do in this instance. As I said earlier, we need to develop a clearer, overarching marketing strategy, as that can only be of benefit to institutions.

Mrs Ewing: Can you give us an idea of the timescale in which the remit will be defined?

Professor Stringer: I think that it will be defined within the next month or so. The membership is just in place and we will meet in the next few weeks. We intend the group's work to proceed thereafter.

Mrs Ewing: I hope that you will keep in touch with the committee about that group.

Professor Stringer: I will.

The Convener: I want to follow up on what you said about the need for greater co-ordination of the agencies that are involved. Is that group the mechanism for achieving such co-ordination? How will it fit in with the Executive's work? We tend to make things terribly complicated in Scotland.

Professor Stringer: We want to work with the agencies that are involved before things become overcomplex. The Executive has worked with individual institutions, of course—it is working with the British Council and has set up Scottish international scholarships. Individual institutions have liaised with the Executive and with, for example, education UK Scotland, which is a British Council initiative that works with institutions in the sector and the Scottish Executive. That is an example of a joined-up approach, but there is room for more to be done. We hope that initiatives will be rationalised and that there will perhaps be greater focus and prioritisation.

The Convener: We must begin to draw the discussion to a conclusion, so members should raise any other urgent issues that they want to raise.

Phil Gallie: As I understand it, the fresh talent initiative is aimed at improving Scotland's economic and demographic profile. How does the two-year extension period for students fit into that aim? I would have thought that graduates' earnings and contributions to society would be at their lowest in the two years after they graduate.

Professor Stringer: After graduation, the earnings of many international students who will come to Scotland to study will probably be considerably higher than they would be in their country of origin, and making an economic contribution for two years or possibly longer may be attractive to them. Students from China comprise far and away the largest group of international students who are being attracted to Scotland, and what I say is certainly true of students from that country.

Professor Wright: Phil Gallie is right. Earnings tend to grow with experience. The curve slopes upwards—it is quite steep when a person is young. When a person graduates, their salary will be low, but it will then rise quite quickly and flatten off, usually when they are over 40. If people have low earnings, they will pay low taxes, so they may make a smaller direct contribution than someone who is at the top end of the income scale would make. However, we must remember that graduates earn more than non-graduates on average, so their contribution will be above that of the average individual. That said, we are simply talking about a numbers game with the number of people that we are discussing. Will 9,000 people make a big difference to the budget?

Phil Gallie: I think that you quoted a figure of 27,000 for the previous year, and I query the figure of 9,000.

Professor Stringer spoke about more graduates being retained in Scotland than in the rest of the UK. I am not insulting Scottish universities, but one interpretation that could be suggested is that Scotland's graduates are not as highly desired as graduates from other countries. The graph that has been presented to us shows a tendency for all age groups up to the age of 44 to move away from Scotland for a period. That has always been the case because Scottish skills have been valued throughout the world, but in the end people tend to return here and keep an economic base here. Are we putting too much emphasis on retention?

14:45

Professor Stringer: I agree that the table entitled "Net Scottish Migration by Age" hides a lot. It is a representation—obviously, it is crude one—of inward and outward net movement. It is

important to think about retention, because we are talking about the talent that we are producing, and it is a pity if we cannot encourage that talent to remain, at least for a period of time after graduation.

We must also consider the overall balance. As I mentioned in my introductory comments, I firmly believe that we have a responsibility to educate our students from within Scotland to work, live and operate in a multicultural global environment. I hope that, for many of them, that means leaving Scotland at certain points in their lives, but then coming back. I hope that a rich diversity of talent will be attracted from overseas, but we want the policy to increase the total size of the working population and the pool of talent—wherever it comes from.

Dennis Canavan (Falkirk West) (Ind): I apologise for missing the earlier part of your evidence due to other commitments.

I want to ask a question that I do not think has been covered. From the mainly informal discussions that I have had with people from Scottish academia, there has been a general welcome for the fresh talent initiative and the good that it will do for Scotland. However, I have heard some criticism about the possible impact on developing countries if we denude them of some of their talent. Earlier this year Margaret Ewing and I were in Malawi, which is one of the poorest countries in the world. We heard first-hand evidence there of what would happen in Malawi if their best doctors and nurses, some of whom are educated in Scotland, were to remain in Scotland rather than go back to develop the health service in their own country. Do you have any comment to make on that? Is anyone in Scottish academic circles doing research on the possible effect of the policy on the developing economies and public services in some of the poorest countries in the world?

Professor Stringer: That concern has been raised in different fora when the issue has been discussed. The concern applies not only to fresh talent but more generally to our attempts to attract and retain students who are qualified in particular occupations. We will put the issue on the agenda of the working group that I mentioned we are setting up in Scotland, because it is one that we need to think about. We must consider carefully the ethical issues and questions.

However, it is not all one-way traffic. Many people from Scotland—and other countries—and Scottish universities are making a contribution to those countries. I would like to see a much more developed facility and much greater support for exchanging academics, researchers and those who can help to enable developing countries' health services or whatever to develop. Many students who come to study in Scotland will want to go back home to do that work, so they will not want to stay in Scotland.

Professor Wright: I will make two comments. The pragmatic view is that if we say no to people who want to stay in Scotland they will go somewhere else. That is common. One of the reasons why people come to study here may be that they want to leave the country from which they come. If they are going to migrate somewhere, perhaps our view should be that we should let them migrate to Scotland.

Dennis Canavan is right to point to another view, but one can compensate countries for taking their people, if you like: we can pay them because they may need other resources. For example, we can say that we will build some bridges for them. This is both a development issue and a moral issue. A lot of people have done research on the issue in theoretical terms to enable us to try to calculate what we would have to pay the poor country in compensation for a person in order to make it as well off as a result.

Mr Home Robertson: If Canada wants our truck drivers, we would like a bridge.

The Convener: That might be the only way that we will get another bridge over the River Forth, but we will leave it at that.

I have a final question for Professor Wright. We have talked about the recent publication of the updated population figures for Scotland, which show a large increase in inward migration in the past year. You said that your view was that one could not look at the figures and say that the problem was solved. Do you caution us against interpreting those figures as meaning that the issue is over and that we do not need to consider the problem?

Professor Wright: Yes. The demographic situation that we are in now has been building up for 30 years and it will not be solved overnight by 9,000 or 10,000 university graduates. The crunch will come at the end of the decade. We will really feel it when the potential labour supply—the number of workers who are potentially available for work—plummets. Unless there is a drastic change, the impact will be negative. You will find no economist anywhere who will tell you that a shift in the supply of workers to the left, caused by demography, is good. It is not good. That is why places such as Germany, which has 10 per cent unemployment, are increasing their immigration targets and why France is introducing a lot of labour market reforms. They have to put those policies in place because they are running out of workers—they cannot find the workers to do the jobs. People may say that increasing immigration targets despite 10 per cent unemployment causes

a lot of tension, but Germany is taking that step not because it has nothing better to do but because it has to. We must be able at least to do the same fairly quickly.

The Convener: I thank Professor Stringer and Professor Wright for a fascinating evidence session. We appreciate their contribution to the committee's discussion today. We will have a brief suspension while the next panel of witnesses joins us.

14:52

Meeting suspended.

14:55

On resuming—

The Convener: I reconvene the meeting. Our second panel of witnesses is from Scottish Enterprise and Highlands and Islands Enterprise, and comprises Michael Cannon, Charlie Woods, Alex Paterson and Alastair Nicolson. I invite Mr Woods to speak on behalf of Scottish Enterprise and Alex Paterson to speak on behalf of Highlands and Islands Enterprise.

Charlie Woods (Scottish Enterprise): Thank you for the opportunity to give evidence to this inquiry into the fresh talent initiative. With me is Michael Cannon of our international operations division, who leads the talent Scotland operation, which is one of our contributions to this important agenda. The issue is an important one. The talents and skills of individuals and teams are some of the most, if not the most, important economic assets in any country that hopes to prosper in the modern economy. If we are going to build a smart, successful Scotland, it will in large part result from a business base and population that are enterprising, innovative and open to opportunities and fresh perspectives.

The fresh talent initiative is an important foundation for achieving an even more vibrant, diverse and enterprising economy and society in Scotland. We in Scottish Enterprise have been involved in its development and implementation in a number of ways, and we support what it is trying to achieve. It is a foundation on which a number of initiatives throughout the public sector can build and to which they can contribute. Our work with talent Scotland to target particular skills issues, and our work on international business promotion, imports, exports, new joint ventures, new international transport route development, business start-up advice and enterprise fellowships to researchers in universities—a large number of which have gone to people from overseas—are all part of our contribution to the fresh talent initiative.

The issue is important, but it is also complex. While some of the factors are relatively straightforward and easier to predict from, such as birth rates, others are much less so. There is a strong element of the chicken and the egg in the relationship between the economy and population. A strong economy will attract people. Equally, an increase in talented and enterprising people with fresh perspectives and new international networks will also help to make the economy stronger. We are all trying to build that virtuous circle.

As previous speakers suggested, migration is a dynamic process. It is hard to measure, and even harder to predict. It is influenced by many factors, both real and perceived—perception is important—such as income, employment opportunities, housing, quality of life and conditions elsewhere. We need to focus on understanding and influencing those factors that underlie migration flows. Through the work of Futureskills Scotland we hope to contribute to the understanding of the issues. It is not just a question of understanding the multifaceted issues that will influence migration. We also need to understand that the economy and society itself will adapt as the population changes. We are already beginning to see examples of that, such as increasing employment rates for older people. It is a complex, dynamic process.

Part of our challenge is to attract skills, talents and new perspectives, but it is also about making the most of home-grown talent and unrealised potential in Scotland. Paradoxically, part of realising that potential might come from home-grown talent gaining experience outside Scotland, contributing to those places and coming back to redeploy that experience.

It could be argued that the importance of initiatives such as fresh talent goes beyond just the issue of population. A country that is open to new ideas and talent from elsewhere, and encourages its own citizens to learn from as wide a range of experiences as possible, is likely to be more enterprising, more confident and economically stronger, and able to make a bigger contribution elsewhere.

The Convener: Mr Paterson, would you like to make some introductory comments?

15:00

Alex Paterson (Highlands and Islands Enterprise): I am the director of the skills group within Highlands and Islands Enterprise. My colleague Alastair Nicolson is head of our strategy and research team.

First, thank you for the invitation to present evidence to the committee. We echo much of what Charlie Woods said about the complexity of

population and demographics. I will therefore make few comments, but will try to add a Highlands and Islands flavour to this important issue.

That demographics are hugely important for the Highlands and Islands has been confirmed by some consultation work that we have done recently across the region to inform the Highlands and Islands dimension of "A Smart, Successful Scotland". Public agencies—local authorities and others—communities and individuals all say that population and demographic issues are vital for our region.

It is interesting to note that the decline that the Highlands and Islands experienced over many decades has turned around over the past few decades. The census of 2001 and the mid-year statistics for 2003 and 2004 are encouraging in that they show a growth in population throughout the Highlands and Islands. However, as previous witnesses have said, that is not enough; we should not be complacent about the positive trends. There are underlying issues in the population of the Highlands and Islands that mirror those in the population of Scotland as a whole, but there are some distinctive features about the demographics of the Highlands and Islands, among the most significant of which is the shortage of young people in the important 18-to-30 age range. Compared to the rest of Scotland, we have a deficit of 10,000 young people in that age range. That is a vital issue for the region as we look to the future.

In some areas, it is possible to see the impact of demographics and population issues in tight labour markets or in some of our more fragile communities. For all the reasons that I have mentioned, we are supportive of proactive efforts to address population and workforce issues. It is important that such efforts are not just about population per se, but are about increasing the working-age population of the region. That can be done in various ways—for example, through in-migration from elsewhere in the UK and overseas or by providing more opportunities for youngsters in the Highlands and Islands so that they do not have to leave. I am not in any way suggesting that that will stop out-migration, but it is important to provide more opportunities in the region and to encourage more people who could work to be active in the labour market.

The issue is complex. The promotion of the region to people who might wish to move in is only part of the solution. Hand in hand with that, we must consider some of the constraints that we face in the Highlands and Islands, such as those on housing and infrastructure development. All those factors must be taken into account if we are to address effectively the demographic issues that we face.

The Convener: Thank you. I will begin with a query that arose from our questioning of the first panel. In effect, Professor Wright said to us that regardless of how welcome the fresh talent initiative was, it would not be enough to deal with the scale of the problem that we face. Do you agree with that conclusion?

Alex Paterson: We do. I can talk only about the Highlands and Islands, but the fact that the overall population numbers are increasing is due largely to in-migration. The natural effect on the population is just about zero because births and deaths more or less cancel each other out. Although there is net in-migration, the labour market population is aging. Given that the important age range of 18 to 30 is significantly underrepresented in the workforce, it is not enough just to look at current figures and the positive trends that have emerged over the past few years; we must do more if we are to create a larger workforce and increase the number of people of working age.

Charlie Woods: Although we can be pleased with some of the figures that have emerged over recent years, we must be careful not to be complacent. The issue is partly one of quantity, but it is also one of quality. As well as increasing the size of the workforce, we need to bring in fresh perspectives and new talent to help to increase the level of enterprise within the country. Fresh talent has those two important dimensions. It is very early in the initiative's life, so we must assess carefully how it develops and how the numbers change over the next few years.

As both Alex Paterson and I have said, the issue is complex. The key factor that is hard to predict is the impact on migration of the expansion of the EU's borders. However, regardless of how the population figures are doing, it is important to the economy to attract more enterprise and fresh perspectives.

The Convener: When would it be reasonable to judge the effectiveness of the fresh talent initiative?

Charlie Woods: You could look at different aspects of the policy over time and try to judge the impact of the relocation advisory service, for example. You could look at the visa scheme, which starts this summer, over the next three years to see how it is operating. As the first two-year tranche of the visa scheme comes to an end, you could look to see what people who have come in under that scheme have done at the end of that period—whether they have extended their stay, got a work permit, started a business in Scotland or whether they are working elsewhere. That is the

sort of period that we should be examining for a scheme such as the visa scheme.

Irene Oldfather: Mr Woods, you said that this is a complex issue and I certainly agree with you. The analysis that we have heard from Professor Wright seems to be very gloomy: he is saying that the labour market is going to plummet. I do not know to what degree your own analysis of the labour market over the next 10 or 20 years is similar to that. Professor Wright seems to be basing many of his projections on the registrar general's population projections, but the registrar general himself told us last week that the further ahead you try to project the more you get into crystal ball gazing. Do you feel that there is a cut-off point at which projections on labour markets become much more difficult? To what degree can you be certain about the sort of skills analysis that you are doing and about the extent to which that agrees with the analysis that Professor Wright has provided?

Charlie Woods: If you look at the population projections that the registrar general publishes, you will see that the working age population stays relatively steady up until around 2020-21, after which it begins to decline reasonably rapidly. That is an important date as far as that decline is concerned. Having said that, one of the key variables, as the registrar general himself has said, are the migration numbers. The assumption in the projections is that the net migration figures from the period from 2006 onwards will show a net loss of 2,000 a year. Last year, we saw a net increase of 26,000. The headline figure for the point at which the population dips below 5 million changed because the registrar general changes his estimates based on recent experience, and recent experience has been relatively positive, but that will change.

On current projections, the decline begins around the 2020 mark. However, as other witnesses have said, it is important not to be complacent about that and to begin to do things about it. For the reasons that I gave earlier, it is not simply a question of total numbers; it is also about skills, talent and fresh perspectives. Those things are also important.

Irene Oldfather: You mentioned how we could make the most of home-grown talent by introducing that kind of dynamic into the economy. Do you have any further thoughts or ideas about that? It occurs to me that we could make use of incoming workers to boost our skills in foreign languages, because we would have native language speakers who could fast-track school and business systems. That would be an excellent way of introducing languages to the skills sector.

Charlie Woods: Absolutely. New people coming into the economy bring with them a whole range of new connections and networks, which might also be sources of new markets or new investment. Increasing the connections and the diversity of the connections that Scotland has with the rest of the world draws in ideas and investment, so we can try to build a virtuous circle. However, in order to get that virtuous circle going, you need a certain level of critical mass and there are other places in the world that are bigger and that, by definition, have greater drawing power.

If Scotland is to be attractive, it is important for us to make the most of as big a critical mass of Scotland as we can. We hear the term "thick labour markets", but it is a paradoxical term in that such markets are quite the opposite—they are not thick in the obvious sense. The idea is that there are various opportunities in Scotland so that people who come here can say, "If that doesn't work out, I know that there are other opportunities. I can go down the road and try another firm." The mass of opportunities is increased so that people are not restricted to one place of employment.

Irene Oldfather: In that sense, do you disagree with Professor Wright's view that we have to match people to jobs and try to keep them there? It seems to me that that could be illegal under the European Union's rules on labour market mobility. Do you have any thoughts on that?

Charlie Woods: This will sound as if I am sitting on the fence, but I think it is a bit of both. In some circumstances, the work is about matching talent to specific job opportunities—that includes, for example, the work that talent Scotland is doing to bring people into the electronics and life sciences industries. However, if you are talking about boosting the overall dynamism and enterprising culture of Scotland, that is about more than specific jobs.

Mr Alasdair Morrison (Western Isles) (Lab): My question is about the redeployment of those who are already moving into our communities, and it follows on from Irene Oldfather's comment. As I am sure the gentlemen from HIE know, there is an encouraging trend of Lithuanians, Poles, Latvians, Bulgarians and people from the Czech Republic coming to work in the Highlands and Islands, particularly in the shellfish and fishing industries. They come with enthusiasm to work in that important sector but they also bring with them their engineers, their linguists, their teachers and their chemists. Is there anything that you can do, as an economic development agency, to construct a comprehensive picture of the nature of the people who are moving in and consider how they could be redeployed, thus making available further opportunities for others to move in and replace them?

Alex Paterson: The answer is yes. In fact, we have just embarked on an exercise to try to do

that. We all know from anecdotal evidence that there are increasing numbers of workers from overseas, and particularly from eastern Europe, in the Highlands and Islands. This morning, I received some figures from Jobcentre Plus on those who are applying for national insurance numbers, so we can see the numbers that are coming through.

Many of us in local authorities, Highlands and Islands Enterprise and Communities Scotland have found that we do not have a baseline from which to operate. Increasingly, we are being approached for assistance with foreign language training courses and we receive requests for assistance to allow people who have skills from their homelands to upgrade and deploy them in Scotland. Through UHI PolicyWeb and the national centre for migration studies at Sabhal Mòr Ostaig, we have embarked on a piece of work to try to establish baseline information on that part of the labour market, including how many people there are, where they come from, what they are doing and what issues they face in trying to assimilate themselves into Highlands and Islands life. That will allow us to address current needs but it will also tell us what we need to do in the future so that in the years ahead we will be better prepared to help people to fit in. We hope that that work will inform a more proactive approach to helping that group of workers.

Mr Morrison: Could that model also be used by Scottish Enterprise?

Charlie Woods: Absolutely, yes. In addition, Futureskills Scotland is doing some work to understand the factors that are at play and the business gateway gives people advice and support to try to get more businesses started here. We have to understand and adapt as we learn.

Mr Home Robertson: Universities Scotland gave us a chart showing net Scottish migration by age, which shows all too graphically 3,500 people aged 15 to 19 coming into Scotland—presumably, a high proportion of them are students—but a whole lot of them leaving before they are 25. A significant proportion of those 3,000-odd people must be potential achievers such as professionals, people who could be setting up businesses and people who are in technology and science. What is Scottish Enterprise doing to create opportunities and openings for such people to be able to use the talents that they have developed at Scottish institutions in order to stay in Scotland, set up in business and contribute to the Scottish economy instead of going away to the United States, England or wherever else?

15:15

Charlie Woods: That is an interesting point. I think that it works both ways, because one major factor is that many people go away to study and then return to their place of residence. It is hard to push against that. Then again, other people stay in the country. Indeed, as with the last two speakers, that is precisely why I am here.

On business advice and development, I have already mentioned the enterprise fellowships. They are aimed not necessarily at undergraduates but at untenured fellows at universities to give them the opportunity to develop and commercialise business ideas in Scotland. Similarly, there are proof of concept programmes for researchers.

This question is related to the previous question about how we can make programmes such as the business gateway more accessible to people and focus them more on the student population in the country. We are trying to understand such matters at the moment, and I believe that there are things that we can definitely do in that respect.

Mr Home Robertson: I am sure that there are, but how much are you doing?

Charlie Woods: We are doing a reasonable amount through the programmes that I mentioned. However, we are also trying to find out where people are coming from and, for those who come from outwith the UK, to find out the issues that they face and whether we can tailor our business advice and support programmes to address them. We are doing all these things, but we need to find out more about the flows of people.

Iain Smith: In his presentation, Alex Paterson mentioned that in the Highlands and Islands there was a net deficit of 10,000 people in the crucial 18-plus age group. Earlier, we heard about the problems that are caused by the fact that people from the age of 18 up to 35, who might be called the breeding stock, tend to form the biggest section of the net migration from Scotland. Obviously, we need to retain more of those people in Scotland. Has Highlands and Islands Enterprise or Scottish Enterprise examined why people in those age groups tend to leave Scotland? Is it simply because they feel that the streets elsewhere are paved with gold, or are there other social issues that lead them to conclude that educational, social or recreational opportunities do not exist in Scotland? Are there any infrastructure issues that we need to address in order to retain people in Scotland?

Alastair Nicolson (Highlands and Islands Enterprise): That is a good question. Carrying out research on out-migrants is difficult, because they have left the country and it is hard to track them. As a result, our research has focused on in-

migrants and on questions such as who has come to the country, where they have come from and why they have come.

Alex Paterson: The net deficit of 10,000 people is an important issue. The previous speakers this afternoon focused on the importance of students to fresh talent and the whole population issue. However, we cannot let the matter go by without pointing out that anecdotally and perhaps evidentially it is clear that many youngsters leave the Highlands and Islands to study at higher education institutions. Although some come back, many do not, which is why having a university in the Highlands and Islands is such an important priority for us. It will not stop youngsters leaving the area—indeed, that has never been the intention behind the proposal—but a university with a full title will act as a catalyst and ensure that more people come into the Highlands and Islands from other places. That will be crucial not just in addressing demographic issues such as the underrepresentation of 18 to 30-year-olds but for the spin-offs and benefits that these bright young people will bring by staying in the area.

Charlie Woods: We are working on—and hope later this year, perhaps in late summer, to publish—two pieces of work through Futureskills Scotland on migration and the graduate labour market in order to understand those flows more. Unsurprisingly, the initial work suggests that the important matters are income levels, employment opportunities and housing, as well as conditions in greater south-east England. Perhaps surprisingly for Scotland, distance is less of a factor than it has been found to be in other parts of the world. Those are all factors, but the research will be completed later this year, within the timeframe of the committee's inquiry. We are more than happy to share the results of that research with the committee.

The Convener: That would be helpful.

Iain Smith: I have a further question. Much of the emphasis of the fresh talent initiative is on attracting graduate skills, but many of the labour shortages are not in the skilled markets. How can those shortages be addressed?

Alex Paterson: Many of the skills issues are being addressed to some extent. Many migrant workers who come to the Highlands and Islands do lower-level jobs. However, we must not tar everybody with the same brush: skilled people come, too. In relation to the trades and crafts, other parts of Scotland are running interesting pilots that involve investing in upskilling in other countries, so that when people come to Scotland, they have skills that are applicable. Many people who arrive here cannot use their qualifications and skills immediately.

The important point is that the issue is not just about bringing in people to fill vacancies, but about using the latent workforce in Scotland. We will grow the workforce partly through in-migration, partly through providing opportunities for youngsters to encourage them to stay and partly through the welfare to work programme, which will encourage more people who are on benefit to move into work. The combination of those factors will help to address the skills issues at various levels.

Phil Gallie: Scottish Enterprise's written submission points out that in-migrants are more likely to start businesses in Scotland than members of the indigenous population are. Has the business gateway, which you mentioned earlier, worked for the indigenous population, or is it the in-migrants who are making more use of the facility?

Charlie Woods: One reason why immigrants tend to start more businesses than members of indigenous populations do—which is not the case only in Scotland—is that people who are moving tend to be more enterprising, almost by definition. That is one reason why it is attractive to have as many such people as possible.

There is evidence that attitudes towards starting a business in Scotland are beginning to change and that more people are starting a business. There are early signs that the gateway and other programmes, such as the schools enterprise programmes, are beginning to have effect.

Phil Gallie: I differ from Iain Smith marginally in that I believe that there is a lack of basic skills in Scotland. Given that, after 10 to 15 years of Scottish Enterprise, we have deficiencies in basic skills such as bricklaying and tiling and are apparently dependent on immigration, is there not something wrong?

Charlie Woods: The market is dynamic, but many of the skills gaps—rather than skills shortages—that Futureskills Scotland has identified through employer surveys are less in technical skills and more in core skills such as customer care and teamworking. Obviously, we always try to understand and anticipate the market and ensure that gaps are filled through the training programme. However, I must be honest: detailed manpower planning is not an entirely precise science and has proved to be difficult everywhere. One of the interesting points is that, partly because of the aging of the population, a lot of the skills demand in future will come not from the growth in new businesses, but the need to replace skills in industries such as North sea oil, for example. That was one of the reasons why Futureskills Scotland was set up. Through the employer surveys that it has done, we now have a better handle on that situation.

Dennis Canavan: In Scottish Enterprise's written submission, one of the questions that is addressed relates to the problems that might arise from the demographic trends that are projected by the registrar general. On that point, Scottish Enterprise states:

"An ageing and declining population may give rise to economic challenges but will not necessarily be an impediment to growth. We agree with the Framework for Economic Development in Scotland that:

'Ageing does not pose a fundamental problem to economic development if workers and employers seize the opportunities to meet this challenge. The responsibility to deal with this … primarily lies with the private sector.'"

I wonder if there is a full realisation of the magnitude of the problem and of who is responsible for finding a solution to it. If the population is shrinking and the proportion of older people in the population is massively increasing while the population of younger, economically active people is massively decreasing, how on earth are the older people going to be supported in terms of things such as pensions and free care for the elderly, which is one of the flagship policies of the Executive and the Parliament? Surely, such matters should not be left purely to the private sector, which is what you seem to be implying in your written submission. Do you agree that the responsibility for dealing with the problem lies with the Government, the Scottish Executive and public bodies such as the one that you represent?

Charlie Woods: I will take this opportunity to clarify our submission. The point that we were trying to get across was that significant changes and adaptations will take place in the market in any case, such as increased rates of employment among older people, which we have begun to see. However, as I hope that the evidence that we have presented today has made clear, we think that there is an important role for the public sector in that area, not least with regard to the sorts of initiatives that have been taken and which will need to be taken in order to attract people into Scotland and retain people of a younger age group. The written submission was not intended to give the impression that you took from it.

Dennis Canavan: Do you agree that there should be some sort of national strategy in this regard rather than simply leaving it up to individual workers, various companies' policies and, perhaps, negotiations between employees and employers?

Charlie Woods: Absolutely. There is an important job to be done by the public sector, working in collaboration with the private sector.

Mrs Ewing: My question relates specifically to Highlands and Islands Enterprise but I would be interested to hear what Scottish Enterprise has to say on the matter.

We have seen all the evidence that suggests that people who in-migrate will tend to set up businesses and have more confidence and so on. In itself, that is excellent, but you have not touched on the nature of any of the industries that are important to our communities. I am thinking in particular of the fact that many of the jobs in the Highlands and Islands, such as those in processing, tourism and so on, are of a seasonal nature and involve short-term contracts. Do you think that there should be an overall strategy to ensure that local people have the facility to earn a decent wage without being constantly undercut by people who come into the area for lower wages? It is a genuine question because I have evidence of that happening in my constituency.

15:30

Alastair Nicolson: We have a minimum wage in this country and people should not be earning less than that. That is the baseline.

If people coming in to an area are prepared to do such work, they are potentially freeing up people to undertake work at a higher paying level. At the moment we are at or very near to full employment throughout much of the Highlands, so bringing in additional labour will lead to increasing opportunities and an increase in job vacancies will bring in more people. I do not think that there is a concern that bringing in extra people will lower wages.

Mrs Ewing: Do local people have the attitude that they do not want to undertake that kind of work and are willing to leave it to someone else and sign on for benefits? That is a very important point for the economy of the Highlands and Islands and, I suggest, for the rest of Scotland. There are many low-paid—minimum wage or just above—jobs and in many cases, people find that it is much better to go to the benefits office. Is there something we can do to change the attitude of local people? We keep talking about how we are not keeping people in Scotland, so it is important that we consider that. Has either of the enterprise groups drawn up a definition of the type of jobs that are being taken up by immigrants? When people think of the fresh talent initiative, they think of the professions, not necessarily of the service industries.

Alex Paterson: There are a few points there. When people come into tight labour markets from elsewhere, it does not seem to distort those local labour markets. As you say, there is evidence that employers might prefer to employ people from eastern Europe or the accession states rather than local people because the perception is that those people are more prepared to do a day's work. I agree that there is an attitudinal issue with some people. That is why we have to keep in mind some

of the complementary policies such as welfare to work and so on. It will not be possible for people just to go along and sign on, because Jobcentre Plus will encourage people into the labour market and that will help to strike a balance.

Charlie Woods made a point about the importance of soft skills. Employers and the research often say that people entering the labour market through the school system are lacking in soft skills. We have to tackle such issues through schools and "Determined to Succeed: Enterprise in Education" and give more youngsters an experience of the world of work so that they are more familiar with what is required when they enter the labour market. I do not disagree that perceptions and reality are as you say, although based on what we know, that does not seem to distort the labour markets hugely. Indeed, we need more people. It is not as if people are coming in and taking jobs for which locals are desperate.

The Convener: We will have to draw the evidence session to a close at this stage. Thank you for your contribution to the committee. The committee will in due course reflect on your written submission and the points that we have discussed today.

We will break for five minutes and reconvene at 20 to four.

15:34

Meeting suspended.

15:42

On resuming—

Promoting Scotland Worldwide Inquiry

The Convener: Agenda item 3 is the Executive's response to the promoting Scotland worldwide inquiry. The clerks received the response late on Thursday afternoon but, although copies were issued in the mail on Thursday, I understand that they either did not reach a number of members or did not reach them until very recently.

We can note the Executive's response to the committee's report, on which there is to be a debate in the Parliament on 18 May—the debate will last from 3.45 until 5 pm. I propose to open the debate on behalf of the committee and Irene Oldfather will close it as deputy convener. I hope that members will make their contribution about the contents of the report.

Once we have had the debate, perhaps we should have a formal discussion to reflect on the points that the Executive has raised and then make any further representations that we have. The Executive wholly accepts or is sympathetic to several of the committee's points, although it takes a different view from ours on other points. Perhaps we should listen to the views of the minister in the debate and then have a committee discussion about them in due course. Is that acceptable?

Members *indicated agreement*.

Pre and Post-council Scrutiny

15:43

The Convener: Do members want to raise points on the contents of the pre and post-council scrutiny paper?

Phil Gallie: I will kick off with a question about the details of the general affairs and external relations council, on page 5. The paper mentions the European constitution proposal for a European minister for foreign affairs. However, that seems a bit premature, given that we have not yet approved the European constitution.

That apart, I note with interest that there will be diplomatic delegations in almost 125 countries. What will be the status of those delegations? Are they to be European embassies and, if so, what kind of staffing will they have and where will they fit into the hierarchy of the diplomatic service in those various countries? Overall, what will the cost be?

The Convener: We can inquire into those points with ministers. Given that we are talking about a proposal, some of the information may not be available as yet. However, we will raise those points with the Executive and secure an answer.

As no further points arise, we move on to our next agenda item.

Sift

15:45

The Convener: Item 5 is our sift of European Union and European Community documents. The first pair of documents is of interest primarily to the Communities Committee and the Equal Opportunities Committee. The documents contain a proposal for a decision of the European Parliament and the European Council to establish the citizens for Europe programme for the period 2007 to 2013, with the aim of promoting active European citizenship. The second of the two documents sets out, by way of an annex, an impact assessment of the proposal.

The second pair of documents also consists of a proposal and an annex. The proposal in this case is for a decision of the European Parliament and the European Council to establish a competitiveness and innovation framework programme linked to the 2005 relaunch of the Lisbon agenda. That pair of documents is of interest primarily to the Enterprise and Culture Committee and the Environment and Rural Development Committee.

The final document, which also includes an impact assessment, is a proposal for a European Council regulation relating to the law of the sea and the establishment of financial measures for the implementation of the common fisheries policy. The document seems most relevant to the Environment and Rural Development Committee. Do members have comments on any of the documents?

Iain Smith: On the citizens for Europe programme, is the intention to bring a further paper to committee so that we can have another look at the subject?

The Convener: We can do that. We can bring the relevant documentation before the committee and discuss it.

Iain Smith: That would be of interest.

Convener's Report

15:47

The Convener: Item 6 is my report, which this week addresses three matters. The first concerns the report that the clerk to the Parliament periodically makes to us as a matter of courtesy. The report sets out the external visitors whom the Parliament has received and the various external delegations in which members of the Parliament were involved during the period of the report.

Irene Oldfather: I, too, have been invited to the conference that the Presiding Officer is to attend on 19 and 20 May in Wroclaw, Poland. I have yet to decide whether there is time in my diary to go. However, if I go to the conference, I will be happy to report back to the committee on it.

The Convener: I am sure that the Government whips will be suitably lenient in allowing you time to attend. I am not sure whether any special plea that I might make in that regard would be heard—or even whether anyone who might be sympathetic to my plea is listening.

The second matter concerns a letter from Ross Finnie, the Minister for Environment and Rural Development, in which he responds to questions that we raised on the progress of the waste electrical and electronic equipment directive. We asked whether infraction proceedings may arise because of the late implementation of the directive. The minister says that the Commission has advised the United Kingdom Government that infraction proceedings are to commence. He also says that the Government expects the full transposition of the directive to have taken place before the proceedings reach the European Court of Justice. I suspect that, once again, it will be the lawyers who benefit from the process.

The third matter concerns the Executive's response to various questions that members raised at previous meetings on the subject of pre-council agendas and post-council reports. We are still awaiting some information. I ask the clerk to give the committee an update.

Alasdair Rankin (Clerk): Given that we received the response from the minister only today, we have not had time to circulate copies to members. We will do so as soon as we can.

The Convener: Okay. As no members have comments, that concludes the business of the committee in public session.

15:49

Meeting continued in private until 15:56.

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