



HOUSE OF COMMONS

Scottish Affairs Committee

Oral evidence: [Demography of Scotland and the implications of Devolution](#), HC 82

Wednesday 29 June 2016

Ordered by the House of Commons to be published on 29 June 2016.

Written evidence from witnesses:

- [Institute and Faculty of Actuaries](#), Institute of Directors
- [The political economy of immigration policy: The example of Scotland](#), Professor Allan Findley, et al
- [COSLA, Migrant Toolkit](#)

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Members present: Pete Wishart (Chair); Kirsty Blackman; Mr Christopher Chope; Margaret Ferrier; Chris Law; John Stevenson; Maggie Throup.

Questions 134 - 199

In the absence of the Chair, Kirsty Blackman was called to the Chair.

Examination of Witnesses

Witnesses: **Dermot Grenham**, Institute and Faculty of Actuaries, **Fraser Grieve**, Scottish Council for Development and Industry, and **David Watt**, Scotland Regional Director, Institute of Directors, gave evidence.

Q134 Chair: Welcome to the Committee. I am obviously not Pete Wishart. Pete has had to step out for a few minutes. He will be back very shortly, so I am just temporarily sitting in the Chair. Welcome to our panellists. Thank you very much for coming along. We appreciate your taking the time to come here. We are going to be asking a number of questions of you today, but to begin with, could you give us your names and any very short opening statements that you would like to make, in whichever order you would like?

Fraser Grieve: I am Fraser Grieve. I am the regional director covering the Highlands and Islands for the Scottish Council for Development and Industry. We look at the Scottish economy and how to create long-term economic prosperity.

Dermot Grenham: Dermot Grenham. I represent the Institute and Faculty of Actuaries. I am a member of the Scottish board of that professional body and have also been involved in writing the paper that we submitted on demography.

David Watt: I am David Watt. I am the executive director of the Institute of Directors in Scotland. We help and support our 1,850 members and other directors and business organisation leaders in Scotland.

Q135 Chair: Thank you very much. I will kick off on this. We are looking at the impact and the changes in demography. It is really important to get views from business, so we are going to start off by asking about the make-up of Scottish businesses. How does the make-up of Scottish businesses differ from the make-up of businesses that are found in the rest of the UK?

David Watt: I will say a few words on that. Scotland has about 25 to 30 companies in the FTSE 250. It has, on a good day, six companies in the FTSE 100. It depends month to month what these are, but the demography of the business community is, first, geographically sizeably down through the central belt of Scotland and stretching up to the north-east through Dundee and Aberdeen. Obviously, Fraser will talk about his part of the world, I am sure, in a minute or two as well. Secondly, in the business community it tends to focus on the “Ss” and the “Ms”.

The actual number of businesses in Scotland is a very good question and the answer you get depends on who you ask. The approximate number is about 270,000. If you believe Don MacRae, ex Bank of Scotland, 63% of them are one-person businesses, so you have a very significant number of smaller businesses or lifestyle businesses or sole traders.

Then moving into the bit where we particularly operate, which is the £2 million to £150 million turnover companies, there is a significant number of them. I do not think anyone genuinely has actually got to that, but it is a disproportionate size from perhaps the rest of the UK—larger than that.

My final comment is that I have now been with the IoD for 13 years and people always ask me what Scotland’s next big business is going to be. The short answer is there probably is not going to be one. There will be a series of very effective and very special S and Ms in the middle of that space that are growing. The obvious ones everybody talks about nowadays are Skyscanner and FanDuel, which are billion pound valuation businesses but employ at best 250 to 500 people.

Dermot Grenham: From the actuarial perspective, most of our actuaries, our members, will be working for financial services companies, typically life insurance companies and pension consultancies. What we have seen over maybe the last 10 to 20 years is consolidation of the insurance industry in Scotland. There used to be lots spread between Glasgow and Edinburgh; now all focus really in Edinburgh. What we are seeing to some extent also is that although there are still probably as many actuaries as there used to be, they are not perhaps at the same high level within those organisations as before with head

offices being down south. There are lots of actuaries but they are working at a slightly lower level on average than they used to.

Fraser Grieve: There certainly is a concentration of more businesses in the urban centres. I think that is causing some issues for the small businesses with digital connectivity and access to market. How do they innovate and compete in a globalised marketplace? How do we help redress the balance between the easier to get to urban centres and the physical high streets and business centres where people can work versus the virtual world? How do we make sure that businesses, wherever they are located in Scotland, can compete on an even playing field? I think that is really important to look at. There certainly has been a shift, a break-up of a lot of the larger businesses, and a lot more needs to be done to support this. The aim is to get beyond the comfort zone and to look at where their real growth potential is.

Q136 Chair: Thank you very much. You touched on some of the different types of businesses that we have in Scotland. Do you have any examples of Scottish business or areas of business in Scotland that are performing particularly well compared to other parts of the UK? What business do we do well?

David Watt: I will kick off again. One at the moment is food and drink, which is performing extremely well. Obviously, whisky has done so over a long period of time but it is matched by some of the seafood industries and produce industries ranging from cheese to other things as well. There is a very significant expansion. What has been helpful is the securing of certain brands for Scottish salmon and other things. That has helped, along with the traditional Scotch. Stornoway black pudding is another recent example. If you have not tried it, I can recommend it; it is excellent. Performance in that space has been particularly helpful.

There has been good performance in IT in a number of forms and the application of technology. We mentioned Skyscanner, that sort of space, where there are issues of skill shortages that we will probably talk about, but there are some good industries in that space as well. From this gentleman's neck of the woods, the games industry is significant and there are world players. It is astonishing to think you can literally make billions of pounds in a week when you launch a game. That is quite a scary concept for many of us. These are just a few examples.

Dermot Grenham: In financial services we hold our own against competition from down south, but I do not think there is anything specifically that we do better than other places.

Fraser Grieve: I would echo David's point. In particular, food and drink, aquaculture and whisky are real growth areas. We have done quite a lot with life science and innovation there. Tourism has been a big growth business and it is something that touches on pretty much every business across the country. I would say those are probably the key bits.

David Watt: We should probably mention tennis but we had better not tempt any fate.

Q137 Chair: Obviously, as an Aberdonian, we are still the oil capital of Europe as well. Next week the Committee is going to be visiting the Isle of Skye. We are going to look in part at the difficulties of attracting and growing businesses located in rural areas. That was touched

upon earlier. How important do you think local enterprises are, those smaller businesses, to the livelihood of people in rural areas?

Fraser Grieve: To use Skye, I think it is vital. One of the major attractions of Skye is a lifestyle one. People want to be there. They want to bring up their family in these locations. It is how you make sure that the road infrastructure, the transport infrastructure and the communications infrastructure is there so that they can make that choice. It is not a choice about bringing up a family; it is a choice about bringing up a family and having a viable business in a place that you want to be. It is breaking down the geographic barriers via other means to try to make sure that people can do business wherever they want to be by removing some of the barriers, be it access to market, suitable connectivity or available skill sets.

Available skill sets is a real challenge, particularly in technology and computing, because you need continual professional development. You have to be constantly learning, evolving, understanding what is going on in the marketplace, and that is very difficult in a rural area where you need a critical mass of thinking about socialisation outside of your work. It is how we help people in those new areas of growth in outlying areas where it is far more challenging, where you simply do not have the same cold clients or whatever as in other parts of the country.

Q138 Chair: How would you remove those barriers? What would work? What policies would help in order to remove those barriers?

Fraser Grieve: Part of that is about the broadband rollout and improving mobile connectivity. I think it is also about making sure that universities and colleges have sufficient skill sets. One of the challenges some businesses have is that lots of colleges simply do not have the ability to teach what they need. They do not have the high enough spec equipment. The teaching staff are not able to keep pace with the evolution of what is required. I think it is areas like that. It is making sure that skills providers are able to support those areas, that there are more distance learning opportunities and that people have the connectivity to do that.

Q139 Chair: Do you have any advice specifically on the characteristics of Scottish businesses in rural Scotland and any of the barriers that they face?

David Watt: From our own perspective in the Institute of Directors, we work and have worked over the last number of years with Highlands and Islands Enterprise in enhancing the leadership of these businesses and looking at their structures for developing boards and directors in the leadership capacity. That is vitally important, particularly for smaller businesses, many of which are family businesses. How they restructure, change, grow and develop is quite a challenge, so that has been very important as well. That is something we have found extremely engaging. We are still involved in it all across the Highlands and Islands as well as other parts of Scotland, and it does make a difference. That is one of the key things we are happy to be involved in, but we could all do more of that. How these businesses are led determines their productivity, ultimately.

Q140 Chair: Mr Grenham, anything to add?

Dermot Grenham: Not too many actuaries work in the rural areas of Scotland, but one thing we do as a profession is support the Highlands Maths Challenge. From the point of view of trying to develop skills, if they develop their maths skills perhaps they will move to the city, so at least we are helping to raise the interest and the excitement of mathematics for people in those areas. Hopefully, that will filter through to improving the skill set.

Fraser Grieve: We also do quite a lot in that. We have about 1,400 young engineers and science clubs in primary and secondary schools across Scotland to try to inspire a new generation into those areas. I think a lot more needs to be done, particularly with parents, about how we make sure that they understand new opportunities and they do not put barriers suggesting that if you are not going into one of the traditional professions then it is not worth doing, and showing them the opportunities that exist in these areas, that oil and gas is not about oil rigs. It is about engineering, technology, how you improve the efficiency of things, and it is about breaking down people's perceptions where traditionally dirty industries are now far more about technology than they ever were before.

David Watt: The diversity issue is valid as well. We still have a lamentably small number of women going into engineering generally and, indeed, the whole STEM area. It is something I know the Scottish Government are working quite hard on, but it is a difficult nut to crack. As Fraser highlighted, it is an awful lot to do with parents, who tend to think in traditional ways still with occupations, even though we are all using iPhones and iPads. The application of them is ultimately the future of engineering. It is not the same sort of concept. It is a big challenge and I think we have to drive that because we are losing half the population to that in various parts of our industries, potentially.

Chair: Chris Law is going to ask some questions about retaining talent and Pete Wishart and I are going to have a seamless transition in the Chair.

Q141 Chair: I will just say before we come to Chris Law, I am very grateful and my apologies. I think you can understand that there is quite a lot of things happening this week. It is a week for coups. Kirsty Blackman executing that one so bloodlessly and efficiently is to her immense credit. I am sorry about this. It is just one of those things that came up, and I am very grateful to Kirsty for assuming the Chair.

Chris Law: I want to turn your attention to how we go about keeping talent in Scotland. During the course of the last year the Scottish Affairs Select Committee looked in particular at post-study work visas. What came out of that was a digression of views between the Scottish Government and the UK Government about how you go about doing that, so I am going to turn to some questions regarding that. Recently we had an evidence session with National Records of Scotland. They highlighted the fact that Scotland had a problem retaining migrants from within the UK and, in particular, many move to Scotland in their late teens and early 20s to get the full education and then go out of Scotland afterwards. Do you have any views on this?

David Watt: We have been very active supporters; I think you took evidence from one of our operators in that space as well. We are very strongly in favour of re-establishing the post-study work visa. I know there has been a ruling at the present not to do that and I think it is disadvantageous. In fact, the IoD across the whole of the UK is pretty much in favour of removing students from the immigration cap anyway. We do not think is terribly helpful in any part of the UK but certainly not in Scotland. People who are coming to

study, in some cases to the highest level, have a lot to offer to the country. They have come to study and will want to stay in the country and cannot. We are very keen to see the UK Government do what they can to try to consider students very sympathetically. While immigration is a very hot topic at the moment, I do not think many people truthfully object to students residing in the country and the very strong talents they bring. I think there are arguments to be made in that space altogether as well as the work that you have considered in the post-study work visa space.

Dermot Grenham: Again looking at actuaries, there are life insurance companies in Scotland but there are not any, or very few, what we call non-life insurance companies, companies that insure your cars or professional indemnity, the Lloyd's type stuff. Therefore, students going, for example, to Heriot-Watt, a world-class university providing a top-class actuarial science degree, when they finish there some will go to Edinburgh to work in actuarial science, some will go back to where they came from because many are overseas students. Those who want to progress into non-life insurance, which is one of the growth areas for actuaries, will have to go to London or Europe if there is an operation there. I don't know what Government can do to develop an indigenous non-life insurance industry in Scotland, but at least that would be a possibility to consider if we want to keep that particular aspect of talent.

Fraser Grieve: We also fed into the post-study work visa stuff and believe it is hugely important that people can be retained when they come to the end of their study. It seems perverse not to retain that talent, having put them through it and them having settled here. It is about how we address real shortages in different parts of the country, whether it is medical staff, engineers in different areas, ICT, whatever sector it is. The real difference is not just for Scotland versus other parts of the UK but within Scotland too. It is how we make sure that we have a system that supports those needs and is not just blanket across the piece, because there are challenges in different areas. That is something that we really need to look at.

David Watt: There are smaller numbers going on to tier 2, we understand, and personally I think the numbers are far too small, but it is actually wage thresholds. It is interesting to note whether there should be a wage threshold that, first, is set at £30,000, which is pretty high, and, secondly, whether it should apply equally across the whole of the UK. It could be something that Governments could look at flexing to encourage people to reside in certain areas. There might be things that can be done there as well.

I find this idea that we cannot track down where people are ridiculous, bluntly. My bank knows exactly where I am right now and so does my phone holder, so why the Government cannot find me I have no idea.

Q142 Chris Law: Thank you for that. I want to return for a minute to UK nationals. They are coming to Scotland to be educated in some of our finest universities. In Dundee, as you know, we have two leading life sciences, coincidentally, and we are doing a lot in Dundee just now. Maybe that is an example of what both Governments can learn from. Are there other examples of how we keep talent from across the UK who come to our excellent universities and colleges?

David Watt: I think Fraser and Dermot mentioned that the key thing is opportunities. What are the opportunities for them? A key issue for Scotland going forward is linking the college and university education courses to the jobs that are out in the community or the

jobs that are developing as well. For example, very recently I was talking to somebody who installed my telephones. Erecting telephone masts all over the country is still a booming business and most of the providers are short of people to do it. I do not know how many people we have in the food chain to supply that marketplace.

I think your point about Dundee is a good example. What is the future planning of Dundee that universities and the city council and others are all involved in so that we have a longer-term economic plan that all plugs in together? I have to be honest with you, I think one thing we have been quite poor at in Scotland is workforce planning. You look at Roy MacGregor developing very quickly his engineers with the West Highland College and OMS and you look at Jim McColl starting his own skills academy for underprivileged young people and apprentices. Maybe we need to be more mobile and nimble in doing that so that it relates more to the jobs.

Equally, the private sector has to take its share of the blame for not working closely enough with providers to tell them, “In two years’ time I know I am going to need 50—or whatever it is—people with these sets of skills”. We need to have that engagement and we need to be much more flexible. In this day and age, when computers reinvent themselves every two years, we cannot wait until the end of a degree course to decide whether there is going to be a job or not for young people.

It is the opportunities. If people have opportunities in Dundee, they will stay in Dundee. I would imagine that most of the students who go through Dundee really love it and would like to be there, but what are the opportunities for them within a 30-mile radius? The oil and gas industry is having problems; it is declining. It is the relationship between education, training and the opportunities at the end of it that keeps people.

Fraser Grieve: I think that is absolutely right. It is that critical mass. People want to know that when they move to an area they are not just moving to one employer, and that if that job does not work out whether there are other options available. How do you package that up? How do you sell an area not just in terms of one particular leading light but looking at how you match up the skill sets required by different businesses in the area? People want to know that if they move to an area they are not tied to one employer, they have opportunities to progress beyond that point.

Q143 Chair: I will come back to Chris in a minute. The fact that we are losing so many graduates from Scotland was one of the most alarming conclusions from the session we had in Edinburgh. We seem to be doing a reasonable job in attracting graduates to our fantastic universities and we all know how well they are doing. We know where they are in the league table and among the world’s top institutions. There does seem to be this real difficulty, and I am impressed with your response to Chris’s questions about some of the things that can be done and can be looked at. Is there co-ordination to this? First of all, is it accepted that the fact that we are losing postgraduates is a big difficulty? Is there any sense that the agencies and the Governments have accepted this is a big issue and they are working together to try to resolve some of these things?

David Watt: I think there are examples looking at Dundee and exactly taking Fraser’s point about life sciences, starting with Philip Cohen and the University of Dundee and spilling out to other businesses. You begin to get a city where there are a number of opportunities for somebody if they are going to stay there and are not compelled to work for only one

employer or to go into academic research to stay there for the rest of their life. You need that combination of opportunity.

On the whole, to be fair, if you look at that area in life sciences, and indeed the area to the south of Edinburgh in life sciences as well, the health board and Scottish Enterprise are working quite closely together, so it is not all bad. I would say across the board in this whole area there is still a gap. It is something we said to the Smith commission and keep saying to Governments as well. We are part of the United Kingdom and BIS has to work with Scottish Enterprise and UKTI. In every opportunity we must work together across the board to offer these opportunities. I think sometimes we do not do that in a co-ordinated enough way. There are a few initiatives that BIS take that never quite percolate into Scotland as well as they might. I cannot give you a specific example on that right now, but we may come back to that. It is building that critical mass.

I keep saying, as somebody who now has a nice, shiny, new office in Edinburgh—in fact just a few doors along from the First Minister—that I never thought I would live to see Edinburgh, that old traditional city, become an absolute hotbed of IT development and entrepreneurial start-ups through Entrepreneurial Spark and The Cube, all the really interesting stuff that is going on. I think there are opportunities, but if Edinburgh's image changed to be not just financial services, which are strong and obviously people would come to work in the city and have a choice of employers there, and if it starts to be seen as a sparky, dynamic, entrepreneurial city for young people with potential to build their own business, I think that makes a difference as well. It is quite a complex situation.

I also think that the aspirations of young people coming out of the universities and colleges now appear to be much more aspirational than just about money. They want to have a whole series of things; for example, this city here is buzzing because of the massive number of entertainment opportunities, which Glasgow is trying to rival.

Chair: Maybe the quality of life things; we have never touched on that in looking at some of the difficulties and issues with our demographic ratios and population trends. I think that is a good point.

Q144 Chris Law: I also want to ask a question in the context of the overwhelming result with the EU referendum and, in particular, all parts of Scotland voting to remain within the EU. The question is: do you envisage that the results of the EU referendum will make it more difficult to retain talented migrants in Scotland? There is a lot of talk about the points-based system. Do you think it is going to make it easier to retain or attract migrants or not, as the case may be?

David Watt: I think it is very likely to make it more difficult to retain them, although I do think that economic migrants will go to a country that is economically successful, first and foremost. They see that as their future. We just talked about the potential. For example, in Fraser's area there is a very strong quality of life but there is not the critical mass of business opportunity, although there are some if you are looking at tourism in places like that. There are industries that will probably still continue to. Hospitality and tourism is a very significant industry in Scotland, not just for people from Poland and Eastern Europe but also from Australia and New Zealand. They come almost as part of their world tour and work in these industries as well; some stay on. We need to make it easier for them to stay on.

There was a case in the newspaper about an Australian couple in the Western Isles who seemed to be under threat of being removed, which is bizarre beyond belief having set up a business and doing great things for the community. That sort of thing, in my view, just should not happen. It just should not happen. We should be looking to get people to contribute to the community and, whether it is a points-based system or whatever system applies, it should be to their benefit as well as to the benefit of the community. Most immigrants in Scotland, by a massive majority, contribute sizeably. We talked about agriculture, for example. There would be no fruit farms in Fife but for the immigrant workers; bottom line, there just would not be.

Fraser Grieve: As a country we have gaps we need to fill. We have skill shortages in certain areas and talent is talent, whichever nationality it is. It is really important that the people in Scotland recognise that we require that skill set and that the message continues to go out across Europe and around the world that these are skills that we need and that we are looking to try to make sure that those people can come and live and work in Scotland and meet our economic needs. I think it is important that we provide some reassurance about what the process is now, that it is a minimum of two years, and we will try to work through that. At the end of the day, we need to have a system that makes sure that we can meet our skills needs so that SMEs can grow and thrive and continue to innovate. I think that is the key point that has to come out of this.

Q145 Chris Law: Just to be clear, from the result last week of Brexit and the UK leaving the EU, do you see challenges ahead for migrants from the EU to remain within Scotland working or trying to come here in the future?

Fraser Grieve: At the moment, everything is very much in flux and I think it is about providing stability in the short term and making sure that we find a solution that makes sure that we can continue to attract talent and meet the economic needs of Scotland.

Dermot Grenham: I think quite a bit will depend on what—

Chair: Sorry, I know Christopher Chope is very keen to come in on this.

Q146 Mr Chope: I just wanted to emphasise the fact that as a result of what the people decided last Thursday, we will be able to equalise our migration policy so that we no longer discriminate against foreign people from outside the European Union. You will truly be able to recruit people globally on the basis of merit.

While we are talking about the outcome of that referendum, would you also agree that there is going to be a great opportunity to grow the Scottish fishing industry, which is a big and profitable industry that used to employ so many more people than it does now? There will also be the opportunity to enter into bilateral trade deals to ensure that Scotch whisky is not discriminated against as it is at the moment in, for example, the Japanese and Indian markets. That will enable those home-grown industries to prosper. You will also be able to charge fees for EU students coming to your universities, thereby giving more income to your universities, who will then in turn be able to attract people on merit from further afield.

Fraser Grieve: You touched on the equalisation point. One of the things that came out of your previous work into the post-study work visa is the need to make sure that that can take account of different needs in different parts of the country. It is not just about where

talent is from but where it goes to and to make sure that that is matched up with where the need is. It is not about a common policy, it is about making sure that we have a policy that fits the needs of different parts of the UK.

In terms of trade, the EU is a vital trading partner. It is really important that we have trade agreements that make sure that businesses can continue to access that market and that agreements around the world can continue to safeguard and strengthen Scottish exports.

Dermot Grenham: From an actuarial perspective, our main interest would be the financial services industry. It is going to be very interesting to see how that plays out with regard to what happens with respect to the City of London, what happens if, say, Scotland is able to remain in the EU in some shape or form or whatever. Therefore, does it have to expand its financial services industry? Is that an opportunity? Then, as a result of that, whether there will be demand on home-grown actuaries or bringing more in from the UK and Europe.

Q147 Chair: While we have you here, there has been lots of talk in the last few days—and, of course, we are in very early days in all of this—that there would be real opportunities for the city of Edinburgh as the second largest financial centre in the UK if somehow Scotland managed to secure its European Union membership and there was Brexit for the rest of the United Kingdom. Are there any strong views about that or is there a view emerging among the sector about how this might work out?

Dermot Grenham: Not that I am aware of. I think it is early days for all of us. We would have to see what comes to pass from various negotiations that are taking place.

Chair: You can give us a few thoughts, though. What do you think?

Dermot Grenham: It depends on how profitable fund management is going to be going forward and what the opportunities are. Whether Scotland ends up in the EU or not, it is English language, same time zone, and there are going to be opportunities for competing with London, as Frankfurt, Paris and Dublin will be competing with London. I think there is going to be a lot of people looking at this industry and thinking, “How can we get a bigger piece of that?”

Q148 John Stevenson: On that specific theme, Scotland at present or Edinburgh at present could attract talent to Edinburgh instead of London. Why is London so much more successful than Edinburgh?

Dermot Grenham: I think it is one of the things that David has mentioned; it is the whole environment and not just about the pay packet. I think pay packets in London probably are bigger than in Edinburgh at the moment, but there is just the buzz that you get. As I say, there is a non-life industry in London. There is Lloyd’s of London and all the big motor insurers and big non-life insurers. London attracts people from the continent so people from the UK want to go there too, to mix with them.

John Stevenson: But they could equally go to Edinburgh.

Dermot Grenham: They could. It is maybe just that little bit further away, I don’t know. It is not our professional issue, but it is perhaps that little bit further away. It could be that. If you packaged it together properly it would certainly be something worth playing for.

David Watt: I would not underestimate, as somebody who has just moved into Charlotte Square, how many people in fund management, for example, are moving to Edinburgh. Not in massive numbers but there have been a lot of little companies who are offshoots of UK companies opening around Edinburgh in the last probably five to 10 years, a very significant number. In the building I am in there is also Old Mutual Global and Cumulus Asset Management, albeit it is a very small company down the stairs. There is a growing fund management aspect.

On Dermot's point earlier about larger insurers on the actuarial side, some have moved out of Scotland but there is still a significant presence in financial services. Wage levels are not as high in Scotland as they are in England. There are not as many high-paid posts even in the banks as there used to be and as there are in London. It is interesting. There is the relationship with Europe as well and how that changes could be quite an interesting dynamic in the whole industry.

Q149 Margaret Ferrier: Just a quick one to Mr Watt: what has the business reaction been from your members since the referendum result?

David Watt: I suppose if I was to sum it up in one word it would probably be shock. Most businesspeople probably followed the bookmakers and did not think it was going to happen, so they now have to react. Having said that, bigger businesses obviously had their risk management plans in place and had been thinking about it for some time. I think that smaller businesses did not to quite the same extent.

To take Mr Chope's point, there are obviously opportunities. Business will survive and thrive in any situation. It will probably take a bit longer time to get out of the confusion and lack of clarity that exists at the moment. From our point of view, the sooner we get certainty and clarity of what is possible and what is not possible, what is going to happen and what is not, that will make business a lot happier. It is difficult to be jumping for joy in Scotland; 42% of our exports go into Europe and that relationship could potentially be damaged. I did hear about a deal today that went through. I heard of one last Friday that did not go through, an £18 million property deal that was scored through because of the lack of Europe. I heard today about a deal that did go through in another setting, so there still will be trade. Business will thrive and survive and find a way to do it, of course it will, but there is definitely going to be a period of difficult times. The relationship with Europe will inevitably change and it has been a very big part of business life for 25 years, so it is a big change. It is a seismic shock to business and it is going to take some time to react and work at it.

Q150 John Stevenson: If Scotland is to increase its population, quite clearly it has to attract people to Scotland. Generally speaking, the way we do that is through jobs creating the opportunities. It has to be an attractive place for businesses to set up and to employ people and, of course, there have to be some lifestyle issues as well. Do you think at present the powers that have been devolved and the framework that is in place is helpful to achieving that?

David Watt: I think it is helpful and I believe that the closer to the jobs market, whether it be in Scotland or in Dundee, the various agencies that are working can be the better. That devolution to Scotland and within Scotland is important.

I also do think it is vital, as I said earlier on, that departments like Jobcentre Plus work very closely with Scottish Government agencies, Skills Development Scotland and others as well. You could argue there is not enough devolution because there are still two Governments playing in that space, but that is a political decision not for me. I think it is vitally important that these agencies work closely together to make sure that whatever is done for the individuals concerned is done and delivered. I think more could be done, but hopefully from this building you can insist there is and that that co-operation takes place because the people need it. A slight correction: one of the things we could do is start breeding a bit faster because we have 1.7 children for every woman of childbearing age, whereas England have 1.9, so there is a bit of challenge there as well.

Q151 John Stevenson: Fraser, just carrying on, Scotland currently has planning under its control. It has rates for businesses. It has skills, universities. It has infrastructure, control over education, health, income tax to a certain extent, stamp duty. Those are all powers that the Scottish Parliament has, which is different from other regions of England. Do you think that gives them a competitive advantage?

Fraser Grieve: I do not think it gives a competitive advantage. I think it recognises that the landscape is different in different parts of the country. Giving people the exact same amount does not make them all the same because people have different skill sets, different obstacles to overcome and it is about trying to level the playing field. Certainly for the Highlands and Islands, you have a geographic challenge, additional costs of getting to market, additional challenges in attracting in talent. One of the real challenges of talent is the partner problem. It is all very well you have found a job but what does your partner do and how do you make sure that you get both of those? It is about—

John Stevenson: With respect, those issues are no different from Cumbria.

Fraser Grieve: Scotland is a very large geographic space with particular challenges of transport and communications, connectivity, given the distance from London and other centres. I think it is about trying to recognise those points. You are quite right, other parts of the UK have issues and certainly things have to be done to try to redress that balance, but that is not a reason for not helping out Scotland, for not helping make sure that they have the powers in place to tackle those issues.

Q152 John Stevenson: Do you think that the powers that they do have are adequate to assist in attracting business and people to move to Scotland?

Fraser Grieve: Some of them probably are. I think there are certainly issues around skills and one of the challenges will be that many of those powers are only newly in place and we have to let them bed down, given the things that have gone on in the last few days. It is about how you utilise some of those as well as making sure that there is as much stability and continuity as is possible, given everything that has happened.

Dermot Grenham: Competitive advantage depends on how it is used. We have options: it may not be enough but it certainly gives you more levers than perhaps other places in the United Kingdom. It does depend on political decisions about, “What sort of country do we want? How do we want to develop that? How do we want to attract people in?” and trying to identify what are the barriers and also realising we are in a competitive market of talent

and what we can do to try to attract people who would otherwise go to London or Manchester.

Q153 John Stevenson: But do you think those powers that have been given to the Scottish Parliament allow the Scottish Parliament the degree of flexibility to try to create an environment that is attractive to business and to talent?

Dermot Grenham: As Fraser said, I think it is early days yet, so it is a case of seeing what use the Scottish Parliament will make of those powers and how we all work together. Obviously there are many different powers and it is a very complicated business. Like trying to turn an oil tanker, it does not turn overnight, even with all the levers you have.

Q154 John Stevenson: Are there extra powers you think we should have that would start to achieve this?

Dermot Grenham: I am not sure. Again, if I am looking from an actuarial perspective of financial services, things that would attract people are perhaps the wrong sort of things, such as reducing tax. That may not be within the political set-up that the Scottish Government want to create and, therefore, may be a power that would have an impact but not a policy that the Scottish Government want to put in place. It would be up to the politicians to decide how to go forward.

David Watt: If I may, there are a couple of things there. Transport is a very good example and you need infrastructure built, where the Scottish Government have done extremely well, but to be honest with you, we are looking at the Forth Crossing coming along and we look at the northern part of the United Kingdom where they are building new railways. I think that is something that is to be welcomed. It may well not happen under a different regime and I think that very useful.

The point I made earlier on, however, is that there are some bits of connectivity. I am not quite sure whether you can do part of welfare and whether you can do part of the employability scene. That will come out in the wash, because that is a new change and that is going to be crucial if, as I say, Jobcentre Plus and Skills Wales and Scotland work together based in the same building on the high street and are dealing with same people.

Q155 John Stevenson: Yes, but it is about trying to create the business environment. I look at the powers the Scottish Parliament has and I think to myself if Cumbria, for example, had half of those, it would give it an opportunity to create an environment that might be more attractive to business. Cumbria has a lot of the similar problems to Scotland. I think there is an opportunity for Scotland with those powers to create an environment that could attract business, but you do not seem particularly enthusiastic about it.

David Watt: No, to be fair, I am extremely enthusiastic about it. Scotland is much more upbeat than the rest of the UK probably outside London. It is a very upbeat place to do business; it is growing well and doing well. It tends to follow economic trends just behind the rest of the UK up and down, but if you look at inward investment, Scotland has had more inward investment than any other part of the UK outside of London for the past probably 10 years.

Q156 John Stevenson: So why aren't people moving? Why isn't the Scottish population rising rapidly?

David Watt: I told you why it is not rising rapidly, because we are not breeding and that is a genuine fact. It is demographics. We have not talked about the subject today, but the demographics with internal—

Q157 John Stevenson: The London population has rapidly increased, not just with people—

David Watt: But that 0.2% I talked about in terms of breeding over a period of 20 years is a lot of people. People tend to come into the major bases, either by plane into London or they come across the Channel, and they tend to go, if you look at the English pattern, gradually north and find a place to settle. Some of them never quite get to Scotland. It is harder to get to Scotland; it is further away. It is further away than Cumbria. None of our airports has anything like as many flights as Manchester has, for example. None of us has as good a railway system as you have in the north-west of England, so there are physical reasons that—

Q158 John Stevenson: The Cumbrian population is stagnating, I think.

David Watt: But that is probably because, a bit like ours, it has been sucked away to other places. The other thing is that Scots historically emigrate outside of England and all over the UK, not just outside of Scotland but outside, Europe and beyond as well. An interesting point made about our international relationships and opportunities we have perhaps missed there as well.

But one other point, just finally, is the fact that we are not allowing the students who were staying a few years ago to stay is perhaps one of the things that is not helping to grow our population.

Chair: One of your most successful emigrants is John Stevenson, Member of Parliament.

Q159 Kirsty Blackman: Would it be easier for Scotland to attract talent if it was able to have a distinct immigration policy?

Fraser Grieve: It would be helpful to be able to do post-study work visas and other areas. Yes, I think that would be useful. There is an issue about Scotland's population. I do not think it is one about the pace of its growth, it is about the age differential that exists and it is about making sure that there are more people of working age and those people of working age are far more productive than they are just now. That is what the focus needs to be on rather than on raw numbers. It would be helpful to have a bit more influence on immigration to make sure that we can attract and retain the talent to meet that gap, that middle bracket that adds to the economy.

Q160 Maggie Throup: In your experience, how helpful are Scottish Government initiatives such as the Small Business Bonus Scheme for the businesses that you support?

David Watt: I think generally they are very helpful and it has been a good scheme. Equally, there has been a negative side where an additional levy has been put on the rates of higher-

end businesses. If the two are correlated and immediately linked, it is not necessarily healthy because we do not want to see the larger stores being penalised as a result. We hope that a review of business rates will take place in Scotland in the next 18 months or so. That is really important to allay this, but for the smaller business it has been helpful, without a doubt.

Fraser Grieve: I would echo that it has been a positive impact. I am not sure going any further would add to that in terms of the challenge about business rate evaluation, given the last one was when property values tended to be slightly higher. How do we make sure that people with properties on the high street can compete with people who do not have properties anywhere, that are just virtual, and how do we help redress that and make sure that properties in the high street are far more competitive to out of town or certainly not more expensive?

Q161 Maggie Throup: Are there any other particular initiatives that you feel are helpful to businesses?

David Watt: I think the Enterprise Agencies are particularly very focused. The Highlands and Islands Enterprise is an excellent agency that works and has an interest and connection to community development as well as enterprise. I think that is something perhaps. There is a review going on of the Enterprise Agencies and Skills Development Scotland over summer and we will be contributing to that. One of the things we might say is how that ties together communities and it does very well in the Highlands. It could do better in the Scottish Enterprise area, but I do think that is worthwhile. I think Skills Development Scotland, as an agency, is pretty effective. Like any others, it could be better and we are happy to look at how that might be improved. I think that the Scottish Government are trying to do their best in economic development, but it is focused on Scotland and its enterprise area. This is back to the point about whether we could have some immigration policy locally. It is an interesting issue, going back to Cumbria, as to whether there should be a flexible approach taken to the whole of the UK.

Q162 Maggie Throup: Are you aware that the Scottish Government are about to introduce an annual innovation prize? Do you think that is going to be helpful, especially in Dundee with the tech industry and the biomedical sciences as well?

David Watt: Absolutely. I think all of these initiatives in support, partly in terms of reward but also of profile, are helpful, because one of the things that I still cannot get my head around is our low level of productivity in Scotland. It is lower than the rest of the UK, and the UK's is lower than France, which has always perplexed me. So I think we have a few challenges, to be honest with you, on that.

Q163 Chris Law: In the course of the last week, I have had businesses write to me about the potential loss of some of the EU initiatives such as Horizon 2020. How important is it that those fundings that are likely to be lost are replaced by the Government?

Fraser Grieve: The Highlands and Islands in particular is a huge beneficiary of EU funds and it is vital that there is sufficient support to make sure that coming projects being planned can progress while things are being resolved. I think it would be terrible if things were put on hold, if we were not able to look at it, particularly given some of the key

focuses on innovation, on trying to help businesses improve their productivity and be far more competitive. It is important that steps are taken to plug some of that, but in many ways more importantly just now is making sure that over the coming years those projects have certainty that they can continue and other schemes such as major infrastructure developments, City Deals and things, can progress with their businesses and know that while there may be some flux now, the places in which they are operating remain competitive, that they are not going to be left behind as other parts of the world continue to improve and enhance their competitive places, that we can continue to have our own.

David Watt: Just quickly, another big impact potentially is the research. The impact on universities could be massive.

Q164 Margaret Ferrier: I was privileged today to have met up with some of the WASPI women, Women Against State Pension Inequality, who have been lobbying Parliament. This is primarily a question for you, Mr Grenham. Do you have any new concerns since the result of the referendum as to how the funding of state pensions might be addressed in the future by the UK and Scottish Parliaments?

Dermot Grenham: The actuarial profession a little while ago did issue a paper on the WASPI issues and I can certainly allow the Committee to have that. The state pension clearly comes down to political issues about funding: what is the level of the state pension and how is it funded. We are moving into a new economic environment and it brings all funding decisions into question. State pension being one of the biggest of Government expenditures, it will be something that presumably will be looked at and, therefore, indications for increases in taxation, national insurance, changes in retirement age. They are always up for grabs, but clearly they will be up for grabs again.

Q165 Margaret Ferrier: So a bit uncertain at the moment then?

Dermot Grenham: More than a bit, I think.

Q166 Margaret Ferrier: Yes, I am being polite. Another question for all of you. We know Scotland's population is ageing. In fact, it has more in common with places like Germany and Japan than the rest of the UK. There is a dependency ratio that is higher in Scotland compared to the rest of the UK, but increasingly people are choosing to work beyond the state pension age. Could you tell me, from your experience, what is the demographic profile of people who do that?

David Watt: I was going to say I am an expert in WASPI, because I have one at home, so I have had that debate for quite a long time.

But, for example, among our members, directors do not really retire. They come to me and they look for, "What are the other opportunities for me beyond this post?" Whether they are finishing their main lifetime occupation at the age of 50, 55, 65, 70, they are all looking to go off and help other businesses, to work in charities or other places, on the boards of organisations, sometimes for profit, sometimes not for profit. That is how I spend a lot of time. It is almost careers advice for people as to what they are going to do and how they can contribute back into companies and organisations in society. It sounds a very positive space for people with a lot of experience to do that. To be honest, it is harder in certain

occupations. If you are in a manual occupation, your body will probably only take that exposure for so long, so it does depend and it is not just a lifestyle choice. It is very often about your background experience, your career and what you have done. You can probably be an MP until you are 105, but you are not going to be a lorry driver to the same age. But definitely I do not talk to almost anybody about retiring now; we talk about doing slightly less.

Margaret Ferrier: I am not sure about an MP being 100 in Parliament. Possibly a Member of the House of Lords but certainly not an MP. I will let you carry on.

Dermot Grenham: Also an issue that needs to be looked into is if people are staying longer in the workforce, what is the impact on opportunities for young people coming through? It is not clear, by the way, but it is something that must be considered.

Q167 Chair: Maybe as a last thought, we would be interested in your views on one of the things that concerned us, which is, as Margaret raised, the dependency ratio in Scotland seemingly to lag behind the rest of the United Kingdom. We were told to embrace this as not so much a challenge but perhaps an opportunity. I do not know if you have a view about this. Lastly, your view about the fact that the Scottish Government have set very clear targets to try to grow our population at the rate of the European Union average. What do you require in terms of population? How has this all been flavoured a little bit—again, it goes back to the EU referendum—by the debate about immigration, where it seems to have been perceived to be bad and a negative? Does that have an impact on bringing people here? So, just to round up: the dependency issue, growing our population in line with the rest of the EU and what do we do to challenge some of the assumptions about immigration? Very brief answers.

Dermot Grenham: I used to teach demography at the London School of Economics and when I started the course I would quote from Shylock's soliloquy, saying, "If you prick us we bleed, if you tickle us we laugh" to make sure people realise that we are not just talking about numbers here. We can talk about immigration numbers, population numbers, but we are talking about real people with real life stories and issues and joys and sorrows. I think it is always important to grab hold of that. We do not want us to define an immigration debate in terms of how many but who are they, what stories do they have, how are they going to contribute to not just the economy but our culture? I think we have to have a vision for the country, Scotland and UK-wide, within which we then fit the discussion on immigration. To see it as a single isolated piece would be misguided.

David Watt: I was talking to an academic a couple of years ago about a third of Scotland's business and organisational leaders and entrepreneurs will be retiring, as we have just covered that point, by 2023. That figure is very scary. We are losing that senior level of expertise from organisations, so we need to encourage more business start-ups to try to replace them, as I said at the very beginning, to create lots of businesses, not all of them as successful, but more start-ups and opportunities that can create the business. Some of them will become the FanDuels. That will be rare, but we have to try to do more of that. The Government are trying and it is vitally important to attracting people and creating, as Fraser said earlier, that sort of economic ecoculture where people will believe that they can come and work and stay in work in Scotland and not leave.

Fraser Grieve: I think it is about trying to make skills plan, make sure that people see the opportunities they have to either stay in Scotland or to come to Scotland and that while they are economically active, we increase their productivity so that they are making as

much of an economic positive as possible. It is about making sure that we recognise the link between economic, social and physical wellbeing, that these are not in isolation and we have to recognise that they all are intertwined. I think that is probably me.

Chair: Yes, that will be fine. Thank you ever so much, gentlemen, and my apologies again for not being at the beginning of the session, but thank you for attending again. I would just say to all witnesses if there is anything that we have perhaps missed or overlooked—I think Mr Grenham is going to send us a paper on WASPI issues, which I know this Committee would be very interested in—or if you see anything that you observe as we go through this inquiry, please get back in touch with us. Thank you very much for your evidence this afternoon.

Examination of Witnesses

Witnesses: **Professor Allan Findlay**, University of St Andrews, and **Lorraine Cook**, Policy Manager, COSLA, Migration, Population and Diversity Team, gave evidence.

Q168 Chair: Thank you. For the record, if you would like to state who you are, who you represent, and if there is anything by way of a brief opening statement, that would be fine. We will start with you, Ms Cook.

Lorraine Cook: I am Lorraine Cook. I am from the Convention of Scottish Local Authorities and I sit within the Migration, Population and Diversity Team.

Professor Findlay: I am Professor Allan Findlay and I am a professor at the University of St Andrews. I used to be a professor at the University of Dundee and thoroughly enjoyed my time there. For my sins, I am also one of the leaders of ESRC's Centre for Population Change.

Chair: ESRC is?

Professor Findlay: The Economic and Social Research Council, which is the main funding council for social science research. The bit at the Centre for Population Change that I lead is on mobility and migration.

Q169 Chair: Thank you, and thank you very much for those very helpful brief introductory statements. You know what this is about; we are looking at particular issues to do with the Scottish population and demography. There are a few things that we would like to ask you to explore now we have you here and hopefully you will be able to help us out.

Could you start by telling us what is it about the Scottish population and why do we lag behind the rest of the United Kingdom? We know that most of the population growth we have experienced in Scotland has been due to migration. Is it solely about that? Is it do with the birth rate? Help us understand what is going on with our population and particularly why we seem to be lagging behind the rest of the United Kingdom. Professor Findlay.

Professor Findlay: The Committee has previously heard from Professor Bell and Dr Rutherford and a number of other people on issues to do with fertility and mortality, so clearly Scotland does have a slightly lower fertility level than the rest of England but it is not necessarily to be seen as problematic. In fact, many people welcome a slight decline in female pregnancy rates in the teenage years. So, lower fertility is not necessarily a problem per se, but undoubtedly that is one issue. The panel has already heard that in Scotland population growth is accounted for 90% by migration and only 10% by fertility or by natural increase, and so migration is the key driver.

I would argue that one of the reasons that Scotland's population is behind is that we do not get as many migrants as we possibly could. I wrote the paper with Professor Bell that showed the average wage rates for different parts of the United Kingdom and the expectation from that research is that average wage rates per week should be the best predictor of the percentage of people from outside the United Kingdom. Scotland is the one part of the United Kingdom that falls far away from that line. It gets many fewer migrants than you would expect for its wage levels. My argument would be that the main reason Scotland's population falls somewhat differently from the rest of the United Kingdom is because of the lack of ability to attract migrants.

Lorraine Cook: I agree with Professor Findlay, from the evidence and who we work with closely, about the importance of migration as the key driver. Local authorities definitely recognise that as well. When I was asked to give evidence, I looked at all our member local authorities' single outcome agreements and around half of them had population growth targets as a key outcome within their SOAs, if not the key outcome within it. Many of them spoke about the importance of attracting and retaining migrants.

Q170 Chair: Thank you for that. A lot of our witnesses—and you have probably heard if you have been observing the inquiry as it has progressed in the last few weeks—have talked about the levers that we have to try to grow our population. Given that so much of our population growth is driven by migration and that is almost exclusively reserved policy, does that have an impact on our ability to grow our population and do we need more levers in order to attract people to come to Scotland?

Professor Findlay: Contrary to some of the witnesses that have already appeared, I do think that it is very significant that Scotland does have more levers. That really matters, but I think we also need to recognise what the processes are that we want to operate those levers on. We talk about migration; the variations in migration to Scotland are often kept a secret. It is not widely publicised that since the year 2000, the number of people leaving Scotland to other parts of the United Kingdom has dropped each year. That is a very impressive figure. It is also often the case that people remember Scotland's history as an area of net emigration. During the period since 2000, there has not been a net emigration to the rest of the United Kingdom, but we keep the secret quite quiet, that Scotland is a wonderful place to live and more people come into Scotland from the rest of the United Kingdom than leave to it.

When we talk about international migration, equally we have a surplus on international migration, as we would expect, and clearly the figures show that from about 2004 onwards—the expansion of the EU—that international migration surplus has expanded, but there are other factors that have been important, because clearly we go through economic cycles that affect migration and also there is a lot of movement that is not labour migration.

We have touched in the previous session on student migration. For recent years, one of the reasons that Scotland has had slightly more students than the rest of the United Kingdom than you might expect is that it has been shown that EU students noticed the higher cost of fees in England and there was a slight switch towards Scotland. So a number of important levers are in Scotland's hands, but clearly not immigration policy.

Lorraine Cook: COSLA has consistently supported more levers for Scotland in terms of the post-study work visa, which is an important one, but regional flexibilities as well, looking at salary scales. Before I came to give evidence, I wrote out to all our local authority members, just getting an idea of the range of regional flexibility needed and the range of skills gaps or skills shortages as well across different areas. I know we have the Scottish—

Chair: The Regional Advisory Council.

Lorraine Cook: Yes, but the Scottish Shortage occupation list does not reflect the regional flexibility that is required.

Q171 Chair: Particularly as we have you here, Professor Findlay, there are examples of some national immigration policies, I think most notably Australia and Canada, and maybe you could tell us just a little bit about how they work. Are they effective? Do they assist the states that they are designed and equipped to try to deal with some of these immigration issues?

Professor Findlay: It is very interesting and very pertinent to the current situation that we find ourselves in, because both countries operate points-based systems. The Scottish White Paper ahead of the Scottish referendum recommended a points-based system and now we seem to have people within the Brexit part of the House of Commons who favour a points-based system. One of the most important features that the Committee should note is that the point-based systems in both Australia and Canada have embedded as central to them having the ability to have regional differences in the points that are used. The different parts of the country are able to adjust the points-based approach to the needs of the country. I think the evidence from Professor Wright and from people who have studied this in Australia are that this can be a very effective way of tailoring a common national policy to meet provincial or regional or sub-district needs.

Q172 Chair: In your view these are successful schemes and they seem to achieve the results that they were designed to try to produce?

Professor Findlay: They are much more successful than immigration policies that suggest one size fits all.

Q173 John Stevenson: Just out of curiosity, you mentioned a lack of an ability to attract migrants and you said that about Scotland.

Professor Findlay: I did, relative to wage levels, yes.

John Stevenson: What do you think is required to attract migrants?

Professor Findlay: Clearly the last question bears on that topic, because Scotland does not have levers to tailor immigration to the opportunities that are in Scotland. Obviously migration is not just one thing; it is made up of asylum seekers, refugees, students, people seeking work, dependants who wish to join people who are already there. There is not a simple answer for all these different groups, because there are different things that matter. In terms of addressing—

Q174 John Stevenson: Sorry to interrupt, but Scotland is on the same level playing field as the rest of the United Kingdom and migrants seem to go mainly to London and the south, but they do disperse elsewhere. I am curious as to how you think Scotland could attract more.

Professor Findlay: My statement was based on the idea that for most people wage levels would be the main thing that will determine how many migrants there will be in a particular region. The paper that was published in the *Oxford Review of Economic Policy* in 2014 showed that Scotland was the one part of the country that had many fewer migrants than you would expect for wages. That tells us that there has to be some way to make it possible to somehow attract more migrants to Scotland. I think that recent events have made it possible for people to recognise that Scotland is an open and outwardly-oriented site, so I think that was a positive thing. I do research on migration, but I also spend two nights a week with my church teaching English to migrant workers on a fruit farm in Fife. These people rejoiced at the outcome of the referendum in Scotland to remain in the EU and they do feel welcome whereas, inversely, my e-mail tray has been filled with contacts from people in other parts of the United Kingdom feeling very depressed and contemplating their future within the country.

Q175 John Stevenson: You have not really answered my question as to how you attract migrants though.

Professor Findlay: If there are opportunities, as the previous panel said, people will come to work. That is very important. Obviously that is an important part of Scotland's policy. I think one of the important issues when you study migration policy is: is it an end in itself or is it nested within a wider policy for economic growth? I would argue that so often immigration policy is simply placed there as a restrictive barrier, whereas if immigration policy is positioned as one of the levers of economic growth, then I think you can begin to answer your question. Some countries have begun to do that. I am not necessarily saying that Scotland or any other region in the United Kingdom should do this, but Denmark has differential tax rates for people who come on high income levels for a period of less than three years and the research done on that—not by me but by other people—showed that that was very effective in attracting international migrants. So there are policies that could happen. At the moment Scotland does not have full control over setting differential tax levels, but that is one possibility.

Q176 John Stevenson: Do you think Scotland has a different attitude to migration than the rest of the United Kingdom?

Professor Findlay: I feel I am talking away over Lorraine here. Are you okay for me to go on and answer?

Lorraine Cook: No, you go.

Professor Findlay: Yes, I think Scotland has a very different attitude to migration in a whole set of ways. The first thing to say is that the public is naturally affected by what they hear in discourses in the media across the United Kingdom. It would be false to represent Scotland as a place where people are not anxious at all about people coming into the country, but most attitudinal surveys show that Scotland has less anxiety about immigration than the rest of the United Kingdom. One of the things that is often not appreciated, again one of the hidden secrets of the 2011 census, is when migrants—people not born in the United Kingdom—were asked about their identities, Indians and people from Pakistan and people from Poland, many more in Scotland declared one of their identities as Scottish than the equivalent people from those countries in England who declared their identity was English. Migrants feel more welcome, as well as the attitudinal surveys for Scotland suggesting that the public also seems less antagonistic. That is the beginning of an answer to your question.

Q177 Chair: I think that is an important point and I do not know if you have any evidence that you could provide to the Committee on some of these attitudes. I know we anecdotally saw them and there is all this conversation. If you could, that would be very helpful.

Professor Findlay: Indeed. The key reference is by David McCollum in the journal *Scottish Affairs* two years ago, but there have been other studies using Scottish attitudinal studies to look at this issue.

Chair: I can see the notes. The Clerks are already scribbling those references down. Thank you for that.

Lorraine Cook: In terms of attracting migrants, we carried out a project, Migration Matters Scotland, last year and it was looking at how local authorities can attract migrant workers. There is a whole body of evidence. We also engaged with migrant workers to find out their opinion on this. It was very much service provision of transport, housing, school, education, ESOL provision, all the services that can be provided, but also promoting the area and how best to promote the area. From the evidence I gathered from local authorities, there is a vast range of work being done on promoting their areas and promoting the opportunities that are available in their areas, depending on the area and on what tools they are using. For example, Inverclyde has done a huge amount of work and funded work to promote their area through their website and through having a relocation officer, so there is a variety of work being done. But a key part of our project was about leadership and going back to the importance of leadership for promoting the positive benefits of migration from our councillors but also from MSPs as well.

Q178 Margaret Ferrier: You have touched on it briefly: it is the immigration question and it is a reserved matter, as we know, so what would be the benefits and disadvantages of fully devolving immigration to the Scottish Government?

Professor Findlay: The benefits are clearly that you can tailor the policy to the particular needs of the economy and the particular situation that society is in. I think it is very hard to argue against any territory being better off if it can tailor a policy on immigration. When you look around the world, very often where you have a very large city surrounded by regions whose cities do not have global status, you do get differential policies. For example, you have Singapore and Hong Kong, who have completely different immigration policies from, say, Malaysia or the surrounding areas of China. These places are seen to

benefit as global cities. You might argue, therefore, that London is often the driver of Britain's immigration policy and other parts of the United Kingdom—and I am not just talking about Scotland—would also benefit from having differential policy positions. That would be true in Cumbria or in Wales or wherever, so it is not a particularly Scottish issue.

I think the disadvantages that arise are that, of course, the numbers of migrants coming into a country are not simply driven by the economy. It is very important that a society remains cohesive and that tensions do not build and that migrants do not come and have their skills under-used. There has to be social policies associated with any immigration policy. Although I advocate immigration policy within a policy for economic growth, I think one has to recognise that there are social barriers as well, because where there is discrimination, workers do not achieve their full potential; where people do not speak the language and do not have the access to all that the society has to offer, they are not going to achieve their full potential; where there is hostility, people will not give of their best. I think these things have to be balanced against the positives of immigration.

Q179 Chair: On that response to Ms Ferrier's question, that is a general negative for immigration regardless of who has the levers of power and control. What we hear as a negative about Scotland securing its own immigration policy is somehow everybody will just inevitably drift down to the south-east of England and London. Is that maybe a worry and fear about devolving immigration to Scotland?

Professor Findlay: It is a fear that has been widely expressed but, as one of your previous witnesses sitting in this seat said, I don't think it is a fear that is justified. Most people who understand immigration believe that the border is at Dover. The border on immigration runs through all our lives: lecturing in university, I have to give information about international students; people who are working on the fruit farm have their work permits checked on a regular basis; people like my son, who is a doctor, are affected by who has access to health services. The border runs through all our lives and I do not think that it would be impossible by any manner of means to have immigration without having border controls between Scotland and England, if that was the situation.

The other thing I would add to this discussion is that we are part of a free travel area in Scotland, as is the Republic of Ireland, and we do not hear this issue raised with regard to people moving from Ireland to Liverpool, so I am not really convinced by the argument that if there were differential policies that we could not fix people in place or fix people within regions.

Lorraine Cook: In the feedback I received there were quite a few mentions of immigration policy dictated by the south-east and the issues around that. I suppose, as you said, the flipside is as much as there are so many positive benefits, there is also impact on services and acknowledging these impacts on services and funding for quick population growth in any area for schools, housing and so on.

Q180 Mr Chope: In COSLA's evidence, it suggested that one of the reasons that Scotland needs immigration is to fill gaps in the labour market. What gaps are there that are not being adequately filled at the moment by Scottish nationals and what type of migrants should Scotland be trying to attract?

Lorraine Cook: I think it is very wide-ranging. I know that every local authority that came back to me has worked with Skills Development Scotland on their particular local area, but we also respond to the MAC responses from the shortage occupation list. For Scotland as a whole it is teachers, social workers, health and social care is a huge one. Social care has come up in every single item of evidence that I received from all the local authorities, so that is huge one, social care and the potential future impact of social care as well.

Professor Findlay: Can I add one other category to that? 25% of all research fellows and research staff in Scottish universities come from the EU. We cannot recruit sufficient members of researchers and we are very glad that we have that opportunity and it is a great fear to us that we are going to lose them.

Q181 Mr Chope: What about from outside the EU?

Professor Findlay: From outside the EU we have had already heard mention of fisheries, for example, and the Filipino migrants who come to work on the fishing boats are very important. Many engineers come to our universities but, as we have discussed, because of the difficulty at the moment of being able to stay after study we are unable to retain many of these people, even though I believe the engineering industries and the IT sector would benefit greatly from them.

Q182 Mr Chope: Professor Findlay, you told us earlier that the net migration from Scotland into the rest of the United Kingdom has come to an end and is now going in the opposite direction. If you add current rates of migration to the current population, what do you think is going to happen to the population? Do you think the estimates of the future population growth in Scotland have been understated?

Professor Findlay: That is a great question. I am not quite sure at which point in time to address it. The forecast is for 30 years forward for population and one can do that with a degree of certainty with regard to mortality and fertility. With regard to migration, the paper I finished writing last week for the *International Journal of Forecasting* said that anybody forecasting migration should be very careful if they go more than three years forward because there are so many major events that make it very hard to forecast forward. In particular, the events of last week compounded two of the most important structural things that have affected migration into the United Kingdom in the last 20 years. On the one hand we have a change in which parts of the world will be affected by British immigration policy and, secondly, associated with it there is the prospect of recession and economic forces are going to affect how many people come to the United Kingdom, never mind to Scotland. If your question was can I forecast 30 years forward on migration, I think I would be very foolish to try to do so. If you ask me can I say what is going to happen in two or three years' time, perhaps I could give a few suggestions. That is entirely a good question.

Q183 Mr Chope: Will you be able to give the Committee the benefit of a preview of this paper that you have been completing?

Professor Findlay: Yes, indeed. It was part of the Centre for Population Change. The work initially started because the Home Office wanted us to review forecasting for the Office of National Statistics.

Q184 Chair: Has any population forecasting been accurate? Do you guys generally get this right when it comes to forecasting growths in population?

Professor Findlay: Do we generally get it right? Like weather forecasting, it is a very imprecise art. But I think that it is true that most people who are alive now who are 20 will be alive in 30 years' time, so there is a great deal of certainty around many aspects of demographics processes. I think that bit is very secure. Migration forecasting is very insecure.

Q185 Mr Chope: Do you think that to become preoccupied with population numbers does lead to a danger that people will ignore the important issues of productivity? You have referred to this en passant.

Professor Findlay: I could not disagree with that. Productivity matters very much, but also from the point of view of the Scottish Affairs Committee I think it matters to recognise differences in society, in openness and in attitudes to migration, which we have talked about. Productivity is one of the number of things that I think matter.

Q186 Chris Law: I am glad that you have highlighted that you could maybe give us a more accurate predictor of the next two to three years, given the fact we are facing a Brexit, and that is what this question is about. Do you think a vote for the UK to leave the EU will have a negative effect on EU migration and, if so, how soon might this impact be felt in Scotland?

Professor Findlay: I will split my answer into the different types of migration I referred to. Clearly the drivers of refugees and asylum seekers lie largely outside the EU and so I do not see particular changes in the drivers behind that element of mobility.

Q187 Chair: Asylum seekers and refugees are miniscule, aren't they, compared to what we see with eastern European migration? They can't be more than a few thousand.

Professor Findlay: They are very small as far as Scotland is concerned in particular. Yes, absolutely, but students are not small. We have 25,000 students from the EU in Scotland and that is a very significant issue, as well as research fellows and 23% of staff working at universities, so that is very important. I have already talked about the fee differentials for students. If the fee differentials change then one would anticipate that in the short run one will not have as many students from the European Union coming to Scotland as at present because there is not the advantage of having no fees. There is the assumption that Scottish universities would no longer be required to treat EU students in the same way as Scottish students. Maybe that is a very big assumption but I think most would probably raise fee levels for EU students and we would expect those numbers to decline somewhat. If Scotland is not in the EU we will have fewer EU students.

There are two things to think about labour migrants. The first is that the research we have done shows that it is not just the flow of people but what happens to people who are here. A couple of months ago the Centre for Population Change did a survey of 700 EU migrants in the United Kingdom to see what they would do in the case of a Brexit and the single most important difference if Britain had stayed within the EU to Brexit is that very large numbers would apply for British citizenship. Quite perversely relative to some of things

that were said in the campaign, we would have many more people from the EU seeking to stay in the United Kingdom and seeking British citizenship than if we had not voted for Brexit. That is not an unusual finding. In many economic circumstances when there is uncertainty, people who are mobile and who want to move decide not to because it risks their livelihood and their future income. It is not a surprising result that these people say that they are now much more likely to seek British citizenship. There are differentials between the groups we looked into. Perhaps the paperwork can give you more details about why Romanians are more likely to seek British citizenship than are Poles, but that is a matter of detail. That is citizenship. That is almost predictable with high degrees of certainty.

On the flows, as opposed to those people who are here who seek to stay, there are two categories of points we can discuss here. One is the UK leaving. What we can say here is that the uncertainties and the possibility of recession will have an influence on all of the UK and potentially also naturally enough on Scotland and since migration is procyclical that would mean some effect. However, as we have just said, there are many parts of the Scottish economy that are very dependent on migrants and these jobs will not disappear. There will still be a demand for strawberry pickers because we like buying strawberries from our supermarkets, so Fife's fruit farms will still want these people as long as they can have access to the country. At least for two years I would anticipate there will not be a huge decline in those type of migrants because most of the demand for care workers in old folks homes or for strawberry pickers will continue. These are not jobs that many Scottish people seem to seek or not as many as there are demands for these people.

We could also make the point that there is some uncertainty about departure, because net migration is not just about how many people come in but how many people will leave. I think the biggest uncertainty, looking forward over the next couple of years, is what will happen in terms of how many people wish to leave. I have already indicated that many of the migrants will wish to stay but how many people within Scotland will be affected by this in one way or another and whether that will affect outflows. One category of outflow that will not change in the immediate future is Scottish students to England. That took a very large drop after the differential fees. It was one of the reasons that there are now fewer Scots going to England and I would anticipate that that will continue, that there will be very few Scots going to English universities and that many more Scots will stay in Scottish universities. We can be moderately sure about that aspect.

That is UK after Brexit and then we have already discussed, in your previous session, what is described as Scotland in Europe. Clearly there the uncertainties are even bigger but, as we have discussed in the previous session, Edinburgh is a major financial centre. We have heard the projections of how many financial jobs would be transferred into the EU and if Scotland was in, the figure that I have heard—I have not done research on this—is 50,000 potential people might chose to stay within these islands rather than moving to—

Chair: Is that moving to Edinburgh or is that—

Professor Findlay: That is moving out of London but not moving into Europe. I have not done research on that so I do not know the reliability of that figure. One thing I would say, relative to our previous discussions, is the issue for Edinburgh with regard to that prospect is whether or not the community of financial services in Edinburgh will meet the needs. It is not simply that it would be within the European Union but will these people get what they want in Edinburgh. One of the things that people in the financial services sector like, even though so much is done electronically, is the ability to speak to other people, to be in

a community. Is there a sufficient critical mass to get these people to move to Edinburgh as opposed to elsewhere? That is a challenge for the future.

Chair: Could you knock that paper up quite quickly for us?

Professor Findlay: That is not my research, but it is a very interesting issue.

Q188 Kirsty Blackman: I want to ask Ms Cook about the geographical areas in Scotland that are looking to attract people. You mentioned single outcome agreements. What kind of areas are trying to attract people? The other question I have on that, which maybe strays slightly into Chris's questions, was: is it reasonable for a local authority to have that as a local target? Is it something that they can influence?

Lorraine Cook: I think they believe they can. It is soft levers. It depends what really you are talking about with a local authority here. If we are talking about the cities, they are talking about attracting business, enterprise opportunities, retail and so on, so they are making it attractive in that way. We have been talking about skilled migrant workers; it is not all about that. It is about local areas that are losing their working-age population, particularly their young working-age population. This has been neutralised by inward migration and the importance of this working-age population, but it is also that they do not have that business base but they can make themselves attractive as, for example, commuter areas. There is so much diversity of levers for local authorities dependent on it in particular areas. Also, going back to what we were talking about, I am thinking of Fife, for example, and the importance of unskilled workers, seasonal agricultural workers, and social care workers as well.

Q189 Kirsty Blackman: Are the geographical areas that are particularly looking to attract all rural areas or is it a mix?

Lorraine Cook: Yes, it is rural. If you are looking at the Islands, Orkney, Shetland, Western Isles, their key targets are attracting families, basically. Fife, Perth and Kinross have attracted significant numbers of EU migrants, but some areas such as Inverclyde and Ayrshire need to attract that working-age population as well.

Professor Findlay: I agree with Lorraine. We did a survey of 16 of the local authorities two years ago and I think Lorraine's information is more up-to-date. But the only thing I would add is that there is a difference in the impact of migration depending on whether a local authority is proactive or reactive. Many local authorities wish to deliver on their obligations to people coming in from other countries; others have a positive strategy to try to attract people. That is actually significant—as you say, it is soft levers—but as far as the migrants are concerned it is vastly different in the consequences. I think being proactive is a very important stance for local authorities.

Q190 Chair: Could I ask Ms Cook before we move on from this: obviously there was a resettlement programme from the Government for Syrian refugees. My local authority is Perth and Kinross and we played a full and active part in ensuring that they were accommodated and looked after. Was that generally the case across the whole of Scotland or were there some local authorities who did not fulfil these obligations?

Lorraine Cook: At the moment I think there are 20 local authorities that have received Syrian refugees within Scotland and it has been by far a positive experience, an exceptionally positive experience. We spoke about attitudes and I think that is a primary example, but then there was the funding behind it. There was significant funding put behind it so there was the ability to provide the right services, the right support, so that action as well to get the balance and encourage that.

Q191 Chair: I was at several of the reception meetings when Syrian refugees came to Perthshire. Do you think there is more that Scottish local authorities could be in a position to do to accommodate more Syrian refugees?

Lorraine Cook: There are a lot of areas that had never received refugees so I think they now have that knowledge base so potentially—I can't speak for Scottish local authorities—they do now have those skills, that knowledge.

Chair: Skills and capacity that might just be available.

Lorraine Cook: Yes, and the services that are required as well.

Q192 Chris Law: I want to ask how the Scottish Government and local communities can best attract migrants to the local areas we have just discussed. Are there any examples of areas where this has been done successfully?

Lorraine Cook: In terms of success within the cities, Dundee is a prime example with their regeneration work. In Glasgow, in terms of their dispersal, their work on the resettlement programmes, the Afghani and Syrian resettlement, and they have attracted regeneration and development but with that they have attracted migrants. Of those that are maybe not promoted so much, Inverclyde have done a huge amount of work on attracting people to the area. I can send in some of the evidence they gave, but they have used levers such as a relocation officer; they lobbied for express trains so they are covered for transport; looking at affordable housing; even to the point of marketing grants. They also have a graduate entry scheme. There is a huge amount of work that has been going on within Inverclyde on that, and that is just one example.

Q193 Chris Law: It is a good example. I wanted to go back again to some policy levers, in particular immigration policy, which is obviously still reserved. How much do the Scottish Government and local communities attract immigrants when they have immigration policy reserved here in Westminster and would both of you recommend that that be devolved to the Scottish Parliament?

Lorraine Cook: Definitely regional flexibilities would be beneficial. I think I have already said that a lot of the evidence we received was south-east-based policy that is not reflective of Scotland. Also, as I started saying, the post-study work visas and getting the idea of the regional differences within Scotland in terms of skills and acquired skills would be beneficial. Also the wage discrepancies, as Professor Findlay was talking about.

Professor Findlay: I do not have much to add to that. I completely agree with what Lorraine Cook has said. I advocated for the Smith commission that Scotland should have that as a devolved power, but it is not a Scottish issue alone. I think the United Kingdom

would benefit if regional labour markets were able to be more influential in shaping their immigration policies.

Q194 Margaret Ferrier: One of our previous evidence sessions was on the post-study work visa. What we find at the moment is students are not being allowed to give back to the economy after completing their studies. That is not just economically but Scotland, being a very welcoming nation, benefits from other cultures and the sociable aspect of it as well. Do you feel that Scotland would benefit from the reintroduction of a post-study work visa scheme?

Lorraine Cook: We have supported it and Edinburgh gave evidence to the post-study work visa inquiry on the importance of it and it being wider than a paucity of skilled people or skilled workforce but the whole social and cultural benefits that we are losing.

Professor Findlay: As in the last question, I think the entire United Kingdom would benefit from having a post-study work visa. I have done a great deal of work on international student migration and one of the things that people often think is that international students are coming here and then they are going to go back home again or they want to stay. In actual fact, in the study that we did, 60% of students said that the most important thing about studying in Britain was as a launch pad for an international career. If they are unable to study here for the international career they are after, that ambition is thwarted and they have to look elsewhere for their work. Equally, I think it is important to recognise that for some people, working in Europe following study in Britain was an option that was available and now seems to have diminished as an option. It may be harder to attract students.

But, of course, a post-study work visa would be helpful and, relative to what we said earlier, there must be ways also to be imaginative in how the visas are created. It could be that people are able to get a visa to study and have a period of apprenticeship to develop their professional skills. Doctors all work in hospitals before they get full accreditation. There are many other skills where that transition from the book learning to the applied and skill-based professional development could be integrated. Visas might be given for that, helping to develop this idea of developing your career and not just your degree if you come to study in the United Kingdom.

I commend the Committee here for the work they have done in supporting the idea of having a post-study work visa and wish them well with the suggestion.

Q195 Chair: It is not just us. The Scottish Parliament is also doing its own inquiry and there is massive cross-party support, cross-sector support for this. We are hoping that we will be able to progress that in time and we are having the report soon, hopefully.

Just while we have you here, Professor Findlay, there is something you can maybe help us with. This is all about increasing the population. We are approaching this from something that Scotland seems to need to do to be able to compete with the rest of the United Kingdom and across Europe. There were lots of things said during the European Union referendum so maybe you can knock this on the head or give us your best view on all this: is immigration of net value to the economy or is it a financial drain on the economy?

Professor Findlay: It is not just my view, it is the view of the vast number of people carrying out research on this. You have previously quoted Dustmann. I did work for the Institute for Public Policy Research as early as 1994 to show that migrants are consistently a net contributor to the economy, but that is the least of the argument. The most important aspect of the argument is that migrants have among them some of the most innovative and talented people who help to grow the economy. It is not just that they do not take out of the economy as much for services as they pay in taxes.

Q196 Chair: How did we get to the situation in the course of the past few weeks that immigration was seen to be a negative and a drag on the economy? What happened with the parameters in the debate that allowed that to dominate the discourse?

Professor Findlay: I think you are asking me to give a personal opinion here rather than being an expert witness. I completely agree that it has dominated the discourse but it has been very disconnected from the evidence base, both of economists and those of us who are geographers and demographers who have studied this topic for a very long while.

Q197 Chair: To finish this off, if we do not get the EU average for population growth, if we are unable to compete with the rest of the United Kingdom in keeping up with not just the population but the dependency ratio, are there long-term economic consequences for Scotland?

Professor Findlay: There are many consequences for Scotland. I do not think there is anything magic about a number and it is good that a target has been set but targets in and of themselves have to have a purpose and meaning. I do not think there is any point in having a net migration target because you cannot control net migration, for a first thing. When we start talking about targets for population, I am glad Scotland has a target; it is a very positive thing to have an aspiration to be demographically healthy and that is true because of the number of people in the working-age population relative to the elderly population. Whether the target should be the average for the EU is a rather more complicated issue and I have never fully understood why the average for the EU was there other than the justification that: if other countries can have this level of demographic growth, why can't we? It is good to be aspirational but I would rather have a target that was based on what could be controlled and be in relationship to some economic growth target or other driver that says this is how much population we should have.

Q198 Chair: Lastly, this Committee looked at the fiscal framework that would be in place for the new Scotland Act, as it is now. One of the things was it was almost like an effective challenge to Scotland on what is seen as the fiscal disparity that we had to grow our population. It was like a gauntlet was thrown down on how this was going to be negotiated in the future. Is there any single thing that we could do to try to keep our population in line with the rest of the UK or catch up with what the UK do?

Professor Findlay: I feel I am repeating myself, because I do think that if there were devolved powers in relationship to migration that would give Scotland levers that would be very helpful. I do not advocate having a policy on fertility increase, as one of the previous witnesses did.

Q199 Chair: Thank you for that. Any last words, Ms Cook? Maybe just a last question to you: obviously local authorities will be familiar with the way the Migration Advisory Committee operates in Europe and the behest of some of the things that it suggests. Is it of any value whatsoever when it comes to the specific Scottish professions that are listed?

Lorraine Cook: It does have teachers and social workers and that has been what consistently comes back from us, but for more regional skill shortages, no, it does not. It is not even made up to reflect that regional gap. It used to be Aberdeen and their oil industry, the need for those skills and the difficulty of getting them because it is so specific and so regional. I can look it up and give other examples of regional differences as well. Some occupations, yes, as in it is in the UK shortage occupation list but in others, no, it is not as reflected.

Chair: We are very grateful—unless any of my colleagues have any last questions—to both of you for coming along this afternoon and giving us evidence. As we have said to everybody who has been here, is there anything we might have missed or something that you could help us with? I know Professor Findlay might be rushing away to write up that paper to suggest that Edinburgh is going to get 30,000 jobs. 50,000, was it? We are very grateful for your evidence this afternoon, so thank you very much for coming along.