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Expert Advisory Group on Migration & Population

Chair

Professor Christina Boswell
*University of Edinburgh*

Members

Professor David Bell
*University of Stirling*

Doctor Andrew Copus
*James Hutton Institute, Aberdeen*

Professor Rebecca Kay
*University of Glasgow*

Professor Hill Kulu
*University of St Andrews*

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Executive Summary

The Context: population change, mitigation & adaptation

Industrialised countries have undergone fundamental population changes over the past decades: declining fertility and rising life expectancy are generating ageing populations, and, in some countries, overall population decline. While trends in overall population growth vary across (and within) countries, population ageing will be a challenge to all industrialised countries, and will necessitate fundamental adjustments to their economies and societies. In Scotland, following decades of population decline caused by the out-migration of young adults, the country enjoyed significant population growth in the first two decades of the twentieth century. However, fertility rates in Scotland are among the lowest of OECD countries (along with East Asia and Southern Europe).

Population decline and ageing can create three types of ‘shortage’:

- Aggregate shortage, associated with overall labour shortages and high old age dependency ratios.
- Sectoral shortages, linked to specific occupations or sectors.
- Geographic shortages in particular areas, typically post-industrial, remote and rural communities.

Industrialised countries have sought to address these effects through a combination of mitigation (influencing demographic trends); and adaptation (changing systems to offset the effects of population change). Mitigation measures include family policies to increase fertility rates, as well as policies to attract in-migration, especially to sectors and occupations facing shortages. Adaptation measures have included measures to encourage longer working lives, active ageing, labour force activation, as well as support for training or reskilling. National and local governments have sought to address geographic shortages through encouraging population retention and internal migration, or through ‘smart shrinkage’.

European governments have tended to prioritise these types of social policy interventions above immigration policy, given the social and political sensitivities frequently associated with immigration. Indeed, the notion that ‘replacement migration’ could fully mitigate population ageing has been widely viewed as unfeasible, given the scale of net in-migration that would be required. For example, Expert Advisory Group calculations suggested that Scotland would need a large number of migrants annually to retain current dependency ratios. However, immigration can be an effective and efficient means of mitigating all three kinds of shortage, as part of a wider package of measures.
Immigration programmes

We analyse a range of immigration programmes that can help address the three types of shortages identified above, classifying them across two features:

i. Programmes may select entrants based on specific job vacancies or shortages (employer-based); or the characteristics of those being admitted (human capital based).

ii. Programmes may offer expansive rights and pathways to settlement, oriented towards promoting permanent stay; or they may restrict these rights, in order to encourage temporary migration and return.

Australia and Canada both have regionally differentiated points-based systems. They have traditionally been based on human capital schemes, but increasingly build in employer-based considerations. They offer extensive rights and pathways to settlement. We analyse an example of a regionalised immigration programme for each country. In addition, we analyse Canada’s recent Atlantic Immigration Pilot Program to promote retention in remote areas, which is of particular relevance to Scotland.

We then analyse two European programmes. Most European countries have adopted employer-based programmes, on a spectrum from restrictive to expansive rights. Those most relevant to addressing shortages created by demographic change are programmes that encourage longer-term settlement, and which span a range of occupations and skills levels. We focus on two such schemes: the Spanish Catalogue of Hard-to-Fill Occupations, and the Swedish 2008 Immigration Law. The Spanish scheme also allows differentiation in shortage lists across provinces, thereby addressing geographic shortages.

Through these five case studies, we distil the following insights:

The importance of job offers: Australian and Canadian systems have increasingly acknowledged the importance of a job offer, to promote labour market integration and encourage settlement, especially in remoter regions.

Rights and retention: Even where entry is conditional on a specific job or place of stay, over time migrants’ rights expand, implying the ability of the programme to influence choice of job, occupation, or location reduces. Different systems manage this transition from stricter requirements to more autonomy in different ways. For example, in Sweden the first 2 years are linked to a specific job; followed by 2 years with scope for more job mobility. In Australian regional schemes, there is a requirement of 2 years’ residency in the region (including 1 year of employment), before accessing permanent residence. However, it is noteworthy that Australia is now switching to a longer (5-year) residency requirement for regional schemes.
Promoting settlement: Beyond the types of conditionality discussed above, schemes can encourage longer-term settlement in particular regions in two ways. (1) Through weighting their selection criteria to those most likely to stay in the region (as in Canadian Provincial Nominee Programs); or (2) through working with employers and local community organisations to develop a support package to facilitate settlement (as in the Canadian Atlantic Immigration Pilot Program).

Regional differentiation: Schemes may seek to address geographic shortages through direct or indirect differentiation:

<table>
<thead>
<tr>
<th>Direct differentiation</th>
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<tbody>
<tr>
<td>• Region has a distinct scheme</td>
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<tr>
<td>• Single national scheme includes regional variation in entry criteria:</td>
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<tr>
<td>o Lower salary or skills threshold</td>
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<tr>
<td>o More extensive list of occupations</td>
</tr>
<tr>
<td>o Different points weighting</td>
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<tr>
<td>• Single national scheme includes variation in stay/settlement criteria</td>
</tr>
<tr>
<td>o Longer stay for particular region/s</td>
</tr>
<tr>
<td>o Lower thresholds for settlement for particular region/s</td>
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<table>
<thead>
<tr>
<th>Indirect differentiation</th>
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</thead>
<tbody>
<tr>
<td>• Single national scheme covers occupations/skills relevant to regional shortages</td>
</tr>
<tr>
<td>• Single national scheme builds in pathway to settlement</td>
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</table>

Enforcement: The schemes carry different challenges in relation to enforcement.

- Complexity: the more variegation allowed within a scheme, the more complex it can be for employers and migrants to navigate, and for public authorities to enforce.

- Sponsorship: schemes that allow more mobility for migrants (across job, occupation or place) are more difficult to accommodate within a sponsorship system.

- Vulnerability: schemes that are not conditional on employment can create risks for migrants in terms of unemployment, irregular status, and destitution. These risks may be higher in sectors associated with more casual and informal work.
Scotland’s Demographic Challenge in Comparative Perspective
1. Scotland’s Demographic Challenge in Comparative Perspective

Industrialised countries have witnessed fundamental population changes over the past decades. Mortality has declined and life expectancy increased. The post-WWII baby boom was followed by a fertility decline and long-term below replacement fertility. Population ageing is shaping the economic and social life of industrialised countries, and these impacts will only increase in coming decades. At the same time, migration to and from industrialised countries has affected population size and structure over the past decades, with some countries having experienced immigration for decades, while others, including Southern European countries as well as Scotland, becoming countries of net in-migration more recently and receiving a significant number of immigrants in the first decade of this century.

In this chapter, we provide a brief overview of the key changes in population size and structure of industrialised countries and the drivers of population change: fertility, mortality and migration. We compare population trends in Scotland with those in other OECD countries. These data set the scene for analysing immigration policy as a tool for addressing demographic challenges, as developed in subsequent chapters.

1.1 Population change

Similarly to many other industrialised countries, Scotland has experienced significant demographic changes over the past half a century. After decades of population decline due to out-migration of young adults, Scotland’s population declined to relatively low levels in the 1990s. Since then the country has enjoyed significant population growth. While there were 5.06 million people living in Scotland in 2000, the figure had increased to 5.44 million in 2018, an increase of 7%. Although this growth is unique in recent Scottish history, the trends in Scotland have not been exceptional in the wider context of industrialised countries. Indeed, in comparison with other OECD countries, Scotland’s population growth has been relatively modest. The population of most OECD countries including the UK has increased 10% to 20% over the past two to three decades. The population of North America (the United States and Canada) and Australasia has increased by as much as 30 to 45% (Figure 1.1).
The only exception is Eastern Europe, whose population has declined over the past decades. The population growth in Scotland has also been modest if we compare it to that of a selection of European countries of the same size (Figure 1.2).

Figure 1.2 Total population in selected European countries, 1990-2018 (1990=100). Source: United Nations World population prospects 2019 Annual population by age, National Records of Scotland population estimates.
Most OECD countries have witnessed positive natural change (i.e. births have exceeded deaths). Natural population change was also positive in Scotland at the beginning of this decade, but has become negative in the last few years (Figure 1.3). This is strikingly similar to recent trends in Southern and Eastern European countries and the East Asian countries of Japan and South Korea, where the number of deaths has exceeded births in recent years.

**Figure 1.3 Annual natural population growth rate (per 1,000 inhabitants), 1990-2018.**


As expected, most OECD regions have enjoyed positive net migration in the past decades (Figure 1.4). Net migration has been the largest in Australia and New Zealand and the lowest in Southern and in East Asian countries. Eastern Europe is the only region that has lost population through migration. With four migrants per 1,000 population, Scotland holds a middle position similar to that of the UK and North American countries. Given that natural change has been negative in Scotland, increased migration both from the rest of the UK and from overseas has been the main driver of population growth in Scotland over the past two decades.
Immigration Policy and Demographic Change in Scotland: Learning from Australia, Canada and Continental Europe

Figure 1.4 Annual net migration rate (per 1,000 inhabitants), 1990-2018.
Source: United Nations World Population Prospects 2019 Annual demographic indicators, National Records of Scotland Total migration to or from Scotland.

1.2 Mortality and fertility

Mortality has declined and life expectancy has gradually increased in all OECD countries. In 1990, most OECD countries had life expectancy at birth of around 75 to 77 years, whereas the figures were between 80 and 83 in 2018 (Figure 1.5). On average, life expectancy has risen about 2 years per decade. Much of the increase is attributed to the decline in cardiovascular mortality, and more recently increasing survival from cancers. However, the ‘cardiovascular revolution’ has spread with different speeds across countries. While Western Europe witnessed a decline in cardiovascular mortality already in the 1960s, Eastern European countries had relatively high mortality from cardiovascular diseases until recently. As a result, life expectancy in Eastern Europe has been more than 5 years lower than that in other OECD countries, and the region has enjoyed some increase only in the last decade or so. Mortality levels are also somewhat higher in Scotland than in other high-income countries; again, these are largely due to higher cardiovascular and cancer mortality. However, the life expectancy in Scotland approximates more closely to that of Western and Southern European countries than to Eastern Europe.
Figure 1.5 Life expectancy at birth, 1990-2018.

At the same time, there has been significant fluctuation in fertility levels. Fertility significantly increased in the first decade of this century, following a period of decline in the 1990s and low levels in most European countries at the turn of the century (Figure 1.6). Over the past decade, fertility has declined again in most OECD countries. The recent fertility decline has been more pronounced in Scotland than elsewhere, indeed Scotland has become one of the lowest fertility countries among high-income countries, along with East Asian (Japan and South Korea) and Southern European countries (e.g. Portugal, Greece and Spain). Changing fertility levels measured by the Total Fertility Rate (TFR) often reflect changing ages of childbearing (e.g. postponement of family formation), rather than the change in the average family size. Nevertheless, a decline in the TFR by 10% in the UK context will result in 40,000 fewer new-born babies annually. Long-standing debate on the causes of fertility decline and low fertility has emphasised the increased costs of childrearing or the spread of new (individualistic) ideas and cultural norms. Recent research also emphasises the importance of welfare state policies and provisions and gender norms. In Europe, fertility levels are relatively high in countries where policies support reconciliation of employment and parenthood and gender equality (as discussed further in Chapter 2). Interestingly, however, the recent fertility decline in many European countries suggests that economic factors may still be important drivers of fertility trends.
Figure 1.6 Total Fertility Rate, 1990-2018.

1.3 Age Structure of the Population

Past demographic processes of fertility, mortality and migration have shaped the current population structure of OECD countries. In all countries, the share of children (aged 0-14) has declined over the last decades. In most countries, children comprised around 20% of the population in 1990, whereas their share in some countries has declined more than 5 percentage points (Figure 1.7). The share of children is currently lowest in East Asian countries of Japan and South Korea, in Southern and Eastern Europe. This is largely attributed to relatively low fertility levels in these countries, which in some countries have persisted for decades.
Figure 1.7 Population aged 0-14 (percent), 1990-2018.

As expected, the share of population aged 65 and older has significantly increased in all OECD countries over the past three decades (Figure 1.8). However, there are striking differences in the percentage of the elderly population. While more than one-fifth of the East Asian and Southern European population is aged 65 or older, the figure is around 15% in North America, Australia and New Zealand. Scotland and the rest of the UK hold a middle position between these country groups.
Figure 1.8 Population aged 65+ (percent), 1990-2018.

Overall, this shows that population ageing is pronounced in countries that have experienced long-term low fertility and little (if any) immigration. Changing population age structure is also reflected in the dynamics of the dependency ratio (the ratio of individuals aged 0-15 and 65+ to that of 16-64). The dependency ratio has slightly increased in the last decade (Figure 1.9); as expected, the increase has been pronounced for the old-age dependency ratio (the ratio of individuals aged 65+ to that of 16-64) (Figure 1.10).
Figure 1.9 Dependency ratio, 1990-2018.

Figure 1.10 Old-age dependency ratio, 1990-2018.
1.4 Regional population dynamics and structure

The analysis of population change in Europe at regional level provides further insights into demographic trends. Figure 1.11 supports the results of the country-level analysis showing population growth in most Western and Northern European countries and population decline in Eastern Europe. Further, within countries there are areas of growth, typically in large cities, and areas experiencing population decline. Scotland’s regions can be classified into two groups: the growing areas in the Central Belt and around the main cities, and the declining areas in the Northwest, Southwest and Western Islands.

Figure 1.11 Average annual population growth rate by NUTS 3 region (per 1000 inhabitants), 2013-2018.
Significant differences also exist in migration levels. Most areas in Eastern Europe have experienced out-migration in the recent decade, except the areas around the capital cities (Figure 1.12). In contrast, most areas in Western and Northern Europe, including Scotland, have grown due to migration. The only exceptions are northern parts of France and Spain; the latter experienced large emigration flows in the first half of this decade.

**Figure 1.12 Average annual net migration rate by NUTS 3 region (per 1,000 inhabitants), 2013-2017.**

Distinct regional migration histories have also resulted in variations in the share of foreign-born population. As expected, the share of immigrants (or foreign-born population) is the largest in the main cities of the countries which were destination of
the post-WWII migration streams (Figure 1.13). Although Southern European countries were for decades countries of emigration, recent immigration flows have led to the formation of immigrant communities, especially in the main cities, as well as in the coastal areas of Portugal, Spain and Greece. The share of immigrants is negligible in most Eastern European countries. The only exceptions are the Baltic States (Estonia, Latvia and Lithuania), which experienced significant labour migration streams from other parts of the former Soviet Union during the post-WWII period. In Scotland, immigrants mostly live in the larger cities and Eastern part of the country; their share is relatively low in Southern and Western Scotland.

Figure 1.13 Foreign-born population by NUTS 2 region and groups of Scotland council areas (percent), 2011.
Finally, the share of elderly has grown across regions in Europe, although it is difficult to detect any consistent patterns (Figure 1.14). In Scotland, as expected, the share of people aged 65+ is largest in the Western and Southern parts of the country, which are dominated by rural areas, and lowest in the main urban centres.

**Figure 1.14 Population aged 65+ by NUTS 3 region (percent), 2013-2017.**
1.5 Challenges posed by demographic change

Population ageing affects all OECD countries, and will be a common trend in the coming decades. It is clear that no demographic process (neither increased fertility nor significant immigration) will be able to counterweigh the significant increase in the share of elderly residents in OECD countries in the near future. The reason for this is the large cohorts born in the first post-war decades who have also enjoyed increasing life expectancy. Hence, high-income societies need to adapt to ongoing demographic changes and reorganise economic and social life accordingly. However, there are significant differences across countries. Clearly, the challenges of population ageing will be pronounced in countries where rapidly increased longevity has been combined with low fertility and the lack of significant immigration (e.g. in East Asia). In Scotland, migration has helped reduce the speed of population ageing. However, if immigration to the country declines substantially, out-migration of young adults, which dominated a few decades ago, and declining fertility, may result in a decline of Scotland’s working age population in absolute as well as relative terms.9

These changes will have significant ramifications across Scotland’s economy and society. Higher dependency ratios will lead to a reduced tax base and aggregate labour shortages. Older populations will require expanded social security, health and social care, implying both a higher fiscal burden, and increased demand for goods and services in particular sectors. This will produce especially acute labour shortages in areas such as social and health care. An ageing workforce, and higher retirement ages, will also necessitate measures to enhance training and reskilling and foster innovation.

Regionally uneven population change represents an additional challenge. Many peripheral areas are experiencing population decline, most notably in Eastern Europe. In these rural and remote areas, population shrinkage combined with an increasing elderly population will pose significant challenges for the long-term economic sustainability and the provision of services in those areas. In Scotland, while in-migration to peripheral areas has been less significant than to large cities, such mobility has helped to stabilise and even rejuvenate the local population age structure in many areas.
Addressing Demographic Change: Mitigation and Adaptation
2. Policies to Address Demographic Shortages

In this chapter we briefly review the wider range of interventions at different levels of government that can be deployed to address population decline and ageing. We then consider the role of immigration policy within this wider suite of approaches.

In the interests of clarity, we will use the term ‘shortage’ to represent the condition that such policies are attempting to rectify. However, the nature of demographic shortages is expressed differently within different policy contexts. At national level, we find policies addressing both aggregate and sectoral shortages (Figure 2.1). Policies to address aggregate shortages tend to focus on longer-term fiscal, welfare and social policy issues associated with population decline and ageing. Policies to address sectoral shortages take a workforce planning perspective, often focused on labour shortages in particular sectors or occupations. At the local level, discussion of population change is usually framed by concerns about local service provision, well-being, and the critical mass required for community-based development, with policy focusing on shortages in a particular geographical area.

Across all three policy spheres, approaches fall into two broad groups, focusing either on mitigation, or adaptation. These terms are borrowed from the literature on climate change, and refer to interventions that aim to influence overall trends (mitigation); as opposed to those aimed at adjusting, managing or compensating for such changes (adaptation). Based on these two distinctions – types of shortage, and types of intervention – Figure 2.1 classifies 6 possible approaches to addressing demographic challenges.

Figure 2.1: Policy levels and approaches

<table>
<thead>
<tr>
<th>National</th>
<th>Local</th>
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</thead>
<tbody>
<tr>
<td>Aggregate shortage</td>
<td>Sectoral shortage</td>
</tr>
<tr>
<td>Mitigation</td>
<td>Immigration (general increase)</td>
</tr>
<tr>
<td>Family policies</td>
<td></td>
</tr>
<tr>
<td>Adaptation</td>
<td>Workforce activation</td>
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</tbody>
</table>

While many OECD countries have adopted measures to address the demographic challenges outlined in Chapter 1, it is rare for interventions to be solely targeted at modifying the trajectory of demographic change. Most, if not all, of the types of intervention discussed below have multiple objectives, relating to fiscal sustainability, equality, adjusting to societal trends in family formation, and so on. They are commonly elements of social welfare, family or labour market policies. It is thus important to keep in mind that most of the policy “levers” relevant to demographic change are perceived by policy-makers as secondary to other policy goals, or even as unintended consequences. It is worth noting that in the context of responses to
the 2008 Financial Crisis, there are also examples of adjustments to these policies driven by austerity, which are likely to \textit{exacerbate} negative demographic trends.

It is also important to consider which level of governance has competence to legislate on, and is involved in implementing, interventions to address shortages. The EU has some involvement in aspects of social policy relevant to population (for example in relation to employment rights, including parental leave), and has become increasingly involved in debates about ageing populations.\textsuperscript{10} However, most social, fiscal and labour market policies relevant to addressing shortages continue to reside at \textbf{national level}.\textsuperscript{11} This section therefore focuses on this level of governance.

However, in many countries, \textbf{local government} has competence over a range of policies relevant to addressing shortages, including aspects of economic and social development. The degree of decentralisation varies across countries, with some (federal) states enjoying substantial autonomy, for example in relation to tax-raising powers and labour market and welfare policies. In Scotland, the UK government reserves powers over (amongst other things) immigration, benefits and social security, and employment. The Scottish Government has powers in a number of relevant areas, including economic development, health and social services, education, training and housing. Local authorities have a general interest in population trends within their boundaries, which impact directly and tangibly upon fiscal redistribution calculations. However, the Councils have limited scope to influence population or migration, through measures under their “permissive powers” relating to economic development, their “regulatory powers” relating to housing, and “mandatory duties” in the spheres of education and social work.

\subsection{2.1 Aggregate Shortages}

\textit{Mitigation}

A number of states have pursued a range of \textit{family policies} aimed at increasing fertility rates, and thus mitigating population decline and ageing. Such measures include various incentives to encourage families to have more children, such as cash payments for new parents, maternity, paternity and parental leave, guarantees to mothers that they can return to their previous job after a specified period of leave, childcare and subsidies for nursery places.\textsuperscript{12}

There is some literature comparing family policies between European countries.\textsuperscript{13} The Nordic countries have a long tradition of relatively progressive policies in this area, while the Central and Eastern European countries are distinctive for their post-socialist heritage, demonstrating high rates of workforce participation amongst women.\textsuperscript{14} France and Germany have strengthened their interventions in this area, but with different assumptions about childcare – Germany having a more recent drive towards gender equality.\textsuperscript{15} The countries of Southern Europe (Greece, Italy, Spain and Portugal) have welfare regimes that place less emphasis on the role of the state to support young families, relying more upon the extended family.
On the whole the evidence suggests that these kinds of policies have a positive impact on fertility rates, although this impact depends on the wider welfare regime within which they are embedded, and the way in which different elements interact. Some studies suggest that the effects are greatest among lower-skilled women and lower-income families. Indeed, it has been argued that cash incentives may have only a marginal effect, but that policies such as paid parental leave, which address the balance between work and childcare, seem to offer greater chances of success. Based on an overview of the literature, family policy measures may have some positive effects on fertility, but there is little evidence of precisely which interventions have most impact: ‘a specific measure, a package of measures, the welfare state as a whole, the favourable economic conditions, social norms and values, or something else.’

The obvious lag in impact on population, and specifically on the working age population, means that family policies are no short-term fix, although they do have a role to play in long-term strategies. In the shorter term they are more likely to be justified in terms of their benefits for gender equality and raising workforce participation.

**Adaptation**

National governments have introduced a range of policies to help adapt to – rather than mitigate – changing demographics. These include various forms of ‘active ageing’ and ‘workforce activation’ approaches. The aim of such policies is to minimise the negative effects of population decline, including in relation to pensions, social security, health and social care, and economic performance more generally.

Active ageing is not simply motivated by the fiscal savings associated with raising the age at which state pensions are paid. It also encompasses a range of initiatives designed to encourage older people to stay active, in leisure as well as in work, delivering health benefits and social care savings. Canada’s Age Friendly Communities movement, based upon principles developed by the World Health Organisation, is a good example of this more holistic approach. Such measures have been criticised as focusing narrowly on extending working life, in particular where they involve restrictive or punitive approaches designed to prevent early retirement. However, there are a range of approaches that can focus on providing positive incentives. Some academics catalogue a range of “Active Labour Market Policies”, which are currently used in EU Member States, including social security or tax reductions, wage subsidies, public works or job guarantees, subsidies for employees or self-employed, in-work training, and training for unemployed. Further afield, Australia has implemented a series of measures to encourage employers to appoint workers over 50, including wage subsidies and a range of workforce planning supports.

The EU has also been active in shaping national approaches in this area, issuing a series of papers since 2005 on active ageing and setting targets on participation rates as part of the Lisbon and EU2020 Strategy.
2.2 Sectoral Shortages

Adaptation

Population decline and ageing can contribute to acute shortages in particular sectors. This may occur both as a result of the decrease in the economically active share of the population; but also because of rising demand for goods and services associated with an older population (for example, the demand for health and social care, or leisure activities for the retired). These factors can exacerbate other causes of shortage, such as skills mismatches, and rapidly developing industries.

One tool for addressing such shortages is to plan and support training for particular occupations, especially those considered essential for delivering core public services. For example, most countries set quotas for education/training of doctors, nurses and teachers. In England, projections of the demand for teachers are made by a model maintained by the National College for Teaching and Leadership. These are the basis for policy to manage the number of teacher training places, and various incentives for graduates, and those who change career later in life.

Governments may also introduce measures to make particular occupations more attractive. For example, NHS Scotland (and England) run a Targeted Enhanced Recruitment Scheme, with financial incentives for newly trained GP’s to work in shortage areas. Similar recruitment and retention incentives are used in Australia.\(^\text{27}\) It has been argued that ‘Maldistribution of doctors exists in virtually all OECD countries’, and are especially prevalent in rural or socio-economically disadvantaged areas.\(^\text{28}\) This study found a very broad range of ‘carrot and stick’ policy measures in place to address this issue.

Retraining has been used to incentivise older workers to stay in the workforce longer, thus addressing aggregate shortages as well. However, these policies often have goals beyond demography. Reskilling adapts the workforce to shifting labour trends such as the proliferation of non-standard employment (part-time, casual, or home-based employment), downsizing, and the development of new occupations. Beyond these goals, training and reskilling have been portrayed as promoting ‘lifelong learning’ and contributing to a higher level of social/civic ‘actualization’.\(^\text{30}\) Adult training courses also contribute to the secondary goal of social inclusion. There are demographic, economic (growth and innovation), and wellbeing goals at the heart of retraining initiatives.

Policies to incentivise re-skilling and training as an adult may include providing monetary incentives for training, or providing employers with subsidies to provide training to their workers. Governments must also consider whether there is adequate and appropriate provision of training courses. The provision of vocational education and training thus ties into the wider educational landscape. For example, in Australia, policies included establishing a wider system of public technical and further education institutes and developing the Australian Qualifications Framework (AQF).
Many governments have also developed tools for estimating current sectoral shortages, and for anticipating future ones, as a tool for planning training. For example, the Danish ‘national skills anticipation system’ uses quantitative forecasting, sector studies, qualitative methods, employer surveys and surveys of workers and graduates in order to do both skills forecasting and skills assessment. The European Commission has also engaged in forecasting skills needs and encouraged member states to build forecasting systems.

2.3 Geographic Shortages

Adaptation

In many countries, demographic shortages are not evenly distributed across all areas, but are especially acute in a number of specific local areas. These are often remoter rural areas which have been affected by urbanisation, often over a period of decades or centuries; or they may be post-industrial areas, affected by out-migration of people seeking employment opportunities. In these cases, the root cause of demographic decline is out-migration, often to other areas within the country, rather than overseas (though in some countries, such as the Central and East European countries, out-migration may also involve longer-distance international movements towards Northern and Western Europe).

In many parts of Europe, both urban and rural, the long-term effects of migration on the age structure have created a legacy of low fertility rates and high mortality which can easily slip into a downward spiral. This trend can be very difficult to reverse, and measures to address it tend to focus on encouraging in-migration (a form of mitigation), as discussed below; or on various types of adaptation. Indeed, most countries have focused on ways of coping with decline, or ways to maximise the benefits of decline, rather than policies to reverse demographic trends. This entails a switch to a focus on the well-being of remaining residents, for example through improving the attractiveness of their residential environment and new kinds of service provision.

These approaches have been termed ‘smart shrinkage’, a concept that emerged from literature on ‘shrinking’ cities in the ‘rust belt’ of the US Mid-West and which was later applied to a European context. Subsequently the term “shrinking regions” became mainstreamed through a seminal report for the European Parliament in 2008 which adopted the following definition: ‘a region that is “shrinking” is a region that is losing a significant proportion of its population over a period greater than or equal to one generation’. Although ‘smart shrinkage’ approaches seem to have originated in the US, they have, more recently, become conflated with the EU Commission’s Directorate General for Agriculture’s ‘smart villages’ initiative which is a broader, more positive, rural development approach.

Of particular relevance to Scotland is the proposed application of ‘smart shrinkage’ as part of Ireland’s National Spatial Strategy. Academics suggest that this approach offers a ‘non-growth’ alternative for remoter rural areas, beyond the hinterlands of the smaller cities which are seen as the engines of polycentric regional development policy. However, as we move into an era in which relational (as distinct from geographic) proximity is playing an increasing role, the implicit assumptions of this
kind of strategic spatial planning about the role of agglomeration-driven growth are open to question, and arguably have a weak evidence base. In other words, even the remotest and most depopulated areas may have potential for growth in the future.

2.4 The Role of Immigration

Immigration policy, by which we mean policies to admit foreign nationals to live and work in a country or region of destination, can be classified as a mitigation strategy, which may play a role in addressing all three types of shortages: aggregate, sectoral, and geographic.

In terms of aggregate shortages, immigration can contribute to an overall increase in the working-age population. Since international migrants who move for employment reasons tend to be younger, such flows may also have a greater relative impact on age structures and dependency rates: migrants are far more likely to be economically active (indeed employment is often a condition of entry and stay); and they are more likely to be of child-bearing age.

The use of immigration to mitigate aggregate shortages has been referred to as 'replacement migration'. However, most analysts have concluded that replacement migration cannot be the sole policy tool for mitigating demographic change. A widely cited UN report (2001) explored the level of net migration required to maintain current potential support ratios (PSR). It found that the annual number of immigrants needed to maintain PSRs at their 1995 levels or above 3.0 was substantially larger than any previous levels of immigration. An OECD policy paper (2012) found that if current levels of net migration were sustained, they would lower the old-age dependency ratio by around 2% on average. Our analysis found that Scotland would need much higher annual net migration to sustain dependency ratios. Sustaining immigration at the sort of levels required for this would likely raise a wider set of social and political challenges.

It has also been observed that immigrants may have higher fertility rates, thus contributing to population increase. However, research also suggests that fertility patterns over time tend to converge with those of the host population.

Nonetheless, immigration can make an important contribution to a wider package of policies. Unlike the types of family policies discussed earlier whose impacts are lagged and often difficult to evaluate, immigration provides an immediate and direct form of mitigation.

Immigration policy can also be designed to address sectoral shortages, by selectively admitting migrants to work in particular sectors or occupations, or with particular skills. Indeed, most EU countries have oriented their immigration policies to address these more specific shortages, whether through shortage occupation lists, skills or salary thresholds. However, most countries have tended to frame such policies as one part of a wider set of adaptation measures to train or reskill the domestic population, or incentivise domestic workers to take up jobs in shortage occupations.
Immigration may also be a means of addressing geographic shortages. As we shall see in Chapter 3, a number of countries have tailored their admissions policies to recruit migrants to specific areas of the country, often through decentralised systems that allow differing degrees of autonomy to federal units, states, or provinces. In Scotland, EEA free movement has facilitated in-migration to almost all areas of the country, including remote and rural areas. While such movements tend to be just a small proportion of overall in-flows (with far greater proportions settling in cities and less remote areas), these small numbers have had a disproportionate impact on local areas. Even a small increase in in-migration can have a significant positive effect on small communities.42

We should also note that domestic migration can potentially play a role in mitigation. However, historically such internal mobility has often had a contrary effect, with flows dominated by rural-urban movement, or retirement migration. Domestic migration will be the topic of an upcoming Expert Advisory Group report, and not covered directly in this report.

In short, immigration policy is typically deployed in combination with other mitigation and adaptation strategies to manage demographic change. Clearly, immigration can raise wider social and political challenges for host countries and communities, and for this reason, it is often not the most prominent or favoured response adopted by governments.

However, immigration has a number of advantages compared to other approaches:

- Immigration programmes can be a swift and reliable means of increasing the working-age population, compared to other types of interventions such as domestic measures to expand the active population or encourage higher birth-rates.

- Immigration programmes can be tailored in a flexible way to meet specific labour market shortages, through recruiting people with relevant qualifications, skills, and occupational preferences. This can be a reliable and efficient means of addressing shortages due to skills or preference mismatch.

- Immigration can be designed to encourage mobility to/settlement in particular areas. Indeed, in many cases, in-migration may be the only way to reverse population decline, given the age structure of existing populations.
3

Immigration Policy and Demographic Change
3. Immigration Policies and Demographic Change

This chapter analyses the different types of immigration programmes that can be used to mitigate population change. In analysing different schemes, we should first remind ourselves of the different goals of population mitigation, and how immigration may be relevant to addressing these (see Figure 2.1, Chapter 2). The main relevant goals are:

1. **Addressing aggregate shortages.** This reflects a concern about overall population decline, including a relative decline in the working age population. Immigration may be seen as a means of increasing the working age population/addressing aggregate gaps in labour.

2. **Addressing sectoral shortages.** This approach aims to meet specific shortages caused by population decline or ageing, in particular sectors or occupations.

3. **Addressing geographic shortages.** The concern in this case is to counter population decline through encouraging in-migration to local areas, for example post-industrial areas or remote rural areas.

Depending on how they are designed, immigration programmes can be tailored to advance one or more of these goals. We distinguish two dimensions of such programmes which are relevant to addressing demographic goals.

3.1 Selection Criteria of Immigration Programmes

First, we distinguish between different logics of selection guiding the programme. Immigration programmes may select potential migrants based on specific job vacancies or shortage (what we term employment based); or they may select based on the characteristics of those being admitted (what we term human capital based).

*Employment-based programmes* encompass both sectoral schemes, which select migrants based on their fit to shortage occupations, as well as employer-led schemes, which rely on employers to identify workers to fill vacancies. In both cases, migrants typically need a job offer before being admitted. The scheme may also make continued residency conditional on staying in a particular job or occupation (although schemes often involve an incremental reduction of such restrictions over time).

The requirement of matching migrants with particular jobs may reflect a concern to address sectoral or occupational shortages (rather than boost the overall working population, or address population decline in particular areas). However, such schemes may also be relevant for meeting broader demographic goals, as a guaranteed job may be seen as the best way to ensure labour market integration and longer-term settlement.

By contrast, *human capital based programmes* select migrants based on their characteristics, such as age and family status, skills and experience, or prior links with the destination country. Such programmes often take the form of points-based
systems, which give different weight to such characteristics. Depending on how characteristics are weighted, such schemes may be designed to address all three of the demographic goals identified: aggregate shortages, sectoral shortages, or geographic shortages. Thus they may prioritise migrants with particular skills or qualifications, in order to address sectoral/occupational shortages. Or they may prioritise migrants with a link to a particular local area, in order to encourage settlement.

Some schemes combine features of both employer-based and human capital-based programmes. For example, some of the streams within the points-based systems in Australia and Canada include criteria related to both demographic and skills features, but may reward or even require a specific job offer. Such schemes are known as ‘hybrid’.

Within the UK, post-study work schemes which allow graduates to look for work in the UK may be classified as human capital programmes. Many of the schemes operating in Australia and Canada are also human capital based. Such approaches are less common in European countries, which have tended to adopt employment-based schemes.

3.2 Rights and Pathways to Settlement

Second, we distinguish programmes in terms of their package of rights and pathways to settlement. Restricted programmes are associated with temporary stay and limited rights to family reunion, welfare and social benefits, or access to public services. Such programmes typically seek to fill immediate shortages, without allowing or encouraging pathways to longer term settlement and integration. These may be favoured because the demographic challenges addressed by the programme are considered to be short-term/transitional (e.g. based on economic cycles, or pending a wider programme of reforms). They are often associated with recruitment to what are perceived to be ‘lower-skilled’ occupations or seasonal work.

Expansive programmes build in more generous rights and pathways to permanent residency, often from the outset. They are often designed to attract migrants with more sought-after skills – indeed, more generous packages may be seen as a way of making the country more attractive in a ‘competition for talent’. Such programmes may also be designed to attract individuals and families to settle, including in areas facing declining population.

As with the first distinction (employment-based/human capital-based), it is important to note that these are not binary features, but run along a spectrum from restrictive to expansive. Nonetheless, it is useful to broadly classify different immigration programmes designed to mitigate population change across these two dimensions.

As we shall see in the subsequent analysis, these two sets of features are crucial for understanding the suitability and success of different programmes in meeting demographic goals.
Within each of these four types, we can also identify cases where programmes have a sub-national 'regional' dimension, which allow federal units, provinces or states to implement their own, region-specific programmes. Programmes with a regional dimension are coloured blue (Figure 3.1).

To exemplify this schema, we plot a number of specific programmes on the graph: the UK Seasonal Agricultural Workers Scheme (SAWS); Tier 2 of the current UK points-based system; the Catalogue of Hard-to-Fill Occupations in Spain; the Swedish Immigration Law of 2008; the Fresh Talent Programme; and the Provincial Nominee Programmes in Canada.

**Figure 3.1**

<table>
<thead>
<tr>
<th>Employment-based</th>
<th>Restrictive</th>
<th>Expansive</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAWS (UK)</td>
<td>Tier 2 (UK)</td>
<td></td>
</tr>
<tr>
<td>Catalogue (Spain)</td>
<td>2008 Law (Sweden)</td>
<td>SSRM (Australia)</td>
</tr>
<tr>
<td>Fresh Talent (Scotland)</td>
<td>PNP (Canada)</td>
<td></td>
</tr>
</tbody>
</table>

### 3.3 Mapping Immigration Policies

Let us consider the four corners of the chart in turn. Restrictive employment-based programmes (such as temporary and seasonal programmes) aim to recruit migrants to fill specific shortages, but with limited rights or pathways to settlement. Such schemes are typically oriented to meeting labour shortages caused by what is perceived to be a short-term (or seasonal) mismatch of skills or preferences. Thus the rights of migrants are restricted, reflecting an expectation that such shortages are transitional (for example, pending the effects of new measures to boost training, or investment in new technologies), or seasonal.

Employment-based restricted programmes may also emerge as a response to political concerns about longer-term settlement: governments may opt for temporary programmes as they may be perceived as being more politically palatable, even though there is acknowledgement that the shortages are likely to persist. Thus a rotational movement of temporary workers is preferred to the longer-term settlement of migrants. This is most likely to occur in relation to occupations with lower remuneration and qualifications, where governments tend to be more confident that they can recruit migrants through schemes offering less expansive rights.

**Employment-based programmes with more expansive rights** (such as those operating in Spain or Sweden) are likely to be preferred where shortages in particular types of jobs are expected to be longer-term, justifying long-term or permanent settlement and family migration. For example, governments may recognise that ageing populations create particularly acute, and ongoing, shortages in medical and care sectors, requiring a longer-term solution. As we saw earlier,
selection based on a specific job offer (rather than human capital) may also be seen as a means of ensuring labour market integration. More generous packages may be offered to encourage settlement, but also to attract highly qualified migrants, or to attract people to difficult-to-fill jobs. Such programmes may also be appealing where local communities face a decline in key services such as teaching or health, and want to target relevant professionals to settle in such areas.

**Human capital-based programmes with expansive rights** (such as elements of the Provincial Nominee Programs and the State Specific and Regional Migration schemes) may be designed to address all three of the demographic goals listed, through expanding the working-age population, meeting sectoral shortages, or alleviating population shortages in particular areas. Migrants may be selected through points-based systems that prioritise based on demographic features, and may also build in preference for particular skills or qualifications – so the distinction with sectoral schemes can be blurred in practice.

**Human capital based programmes with restricted rights** are less typical: they are likely to emerge as a political compromise, balancing aggregate or sectoral labour shortages against political goals of restricting long-term immigration. Examples of this may be temporary post-graduate schemes (such as the Fresh Talent scheme in Scotland) or working holiday-maker schemes, which do not restrict which jobs may be taken up, but have robust restrictions on rights and length of stay.

We can find federal or regionally differentiated examples of each type of scheme. Canadian and Australian systems have various types of sectoral and aggregate schemes with expansive rights, explicitly designed to address demographic challenges. We find an example of a regionally based aggregate restrictive schemes in the Fresh Talent programme, which the Scottish Government adopted in part to address demographically driven labour shortages. Examples of regionally based sectoral restrictive schemes are more rare – sectoral restrictive schemes typically take the form of temporary and seasonal worker schemes, which tend to be brokered at central/national level. They may in practice be more concentrated in particular (e.g. agricultural) regions, but a regional dimension is not typically built into their design.

### 3.4 Case Studies

Given the profile of Scotland’s demographic challenges – in particular the geographical distribution of demographic challenges, the concern with long-term population decline and ageing populations – we assume that there would be a particular interest in expansive schemes, that allow longer-term settlement and family migration. We have therefore selected two programmes with these features: Canada’s Provincial Nominee Programs (PNPs), and Australia’s State Specific and Regional Migration (SSRM) Mechanisms. Both programmes also have a regional dimension, making them especially relevant to Scotland within the UK.

Within these programmes, we have selected examples of provinces/states with broadly similar challenges to those faced by areas of Scotland – Manitoba, and South Australia. Both schemes also include provision for recruiting migrants across different skills levels, another feature that may be of relevance to Scotland given
concerns about shortages in sectors not meeting the Tier 2 skills/salary threshold.⁴³

We complement the analysis of the Canadian PNPs with a case study on Canada’s Atlantic Coast Pilot scheme, a concerted initiative to attract and retain migrants to less populated parts of Canada with less history of receiving migrants.

It is also important to consider whether some forms of employment-based programmes may also alleviate pressures in particular cases, e.g. linked to key shortages that have a particularly detrimental effect on well-being in local communities. Such employment-based programmes may also be relevant to ensuring that migrants are matched to jobs in areas of destination, thereby increasing the viability of longer-term settlement. We are therefore examining two cases in this category: Spain’s Catalogue of Hard to Fill Occupations, and Sweden’s 2008 reform. Both of these examples have distinctive features that may be relevant to Scotland’s profile: they recruit across a range of skills levels (rather than being restricted to particular skills, salaries or occupations), and they offer relatively expansive rights and pathways to settlement.
Case Studies

Case Study 1: CANADA: Provincial Nominee Programs (PNPs)

For a number of decades, Canadian economic migration policy has been explicitly targeted at meeting demographic goals. Provincial Nominee Programmes (PNPs) were developed at the behest of Provinces and Territories, reflecting concerns about the uneven distribution of immigration across Canada and the high proportion of migrants who were moving to Montreal, Toronto and Vancouver. PNPs comprise a range of programmes, many of which are points-based, explicitly designed to meet differential labour market needs and to promote population growth across Canadian provinces and territories. Since the first permanent PNP agreements were signed in the early 2000s, all Canadian provinces and territories except Nunavut and Quebec operate their own PNP. Quebec has a specific agreement, the Canada-Quebec Accord, in which the province is responsible for most aspects of migrant selection and integration.

Bilateral PNP agreements between the federal government and the province/territory allow the latter to nominate a certain number of immigrants, generally selected based on their skills, experience and demographic characteristics. As such, these programmes are predominantly human capital-based, although in many cases there is an employer-led element, as a job offer is seen as a way of proving a clear link and intention to settle in the province. Indeed, there is a trend towards ‘hybridisation’ of human capital and employer-led approaches (as noted earlier). Those admitted through PNP schemes are generally ‘skilled’ or ‘semi-skilled’ workers, temporary foreign workers already in Canada, business investors, families of PNP migrants, and international student graduates.

How it works

Provinces develop a set of criteria by which they can nominate certain migrants who can then progress through a fast-tracked process towards permanent residency status. These criteria may change from year to year, based on varying needs or new priorities in the province. These changes are negotiated and agreed with the federal government.

All PNPs have both a skilled worker and business stream. However, many also offer streams for workers at a range of skills and qualifications levels. For example, the Saskatchewan and Alberta PNPs both offered channels for workers with lower qualifications (for example trucking, hotel and lodging, food processing, and food services industries in Alberta).

Nominees are granted extensive rights, including the eligibility to apply for permanent residence for themselves and their families, subject to criminal background and medical checks. Once they have become permanent residents, they receive access to social benefits and health care coverage, and the right to live, work or study anywhere in Canada. The right to free movement within Canada is enshrined in the Canadian Charter of Rights and Freedoms. After three years of permanent residence, residents may apply for Canadian citizenship. Nominees may
also be eligible to apply for a work permit while the permanent residence application is being processed. If the nomination is based on a job-offer, they receive a closed employer-specific work permit.

**Manitoba Provincial Nominee Program**

To provide a more specific case, we examine the Manitoba PNP. It is the most extensive PNP, with 24.2% of provincial nominees coming to Manitoba and is often seen as a ‘model’ PNP.\(^{45}\) The first Manitoba PNP began as a programme to bring garment workers to Winnipeg, and has since expanded to address labour shortages in other sectors including construction, mechanic work, welding, engineering, trucking, biotechnology and manufacturing.\(^ {46}\)

The Manitoba PNP has three streams: the Skilled Worker Stream (which comprises the Skilled Worker in Manitoba and Skilled Worker Overseas categories); the International Education Stream; and the Business Investor Stream. The Skilled Worker Stream is targeted towards a list of ‘in-demand occupations’, which is extensive. The occupations list also includes differentiation within the province. For example, nursing is ‘in-demand’ if the migrant intends to settle in a rural area, outside of the Manitoba Capital region. Some streams require job offers and some are purely human capital based.

Applicants to this PNP must demonstrate a connection to Manitoba through the support of family members or friends, previous education or work experience in the province, or an invitation to apply from the Manitoba PNP as part of a Strategic Recruitment Initiative. In demographic terms, the age factor is particularly interesting. The maximum points are awarded to those of working age between 21 and 45. Those 50 and older receive zero points for the age category. Points may be deducted for applicants judged to be at higher risk of settling elsewhere (for example because of family or previous work/study in another province). The points system is summarised in Figure 3.2 below:

**Figure 3.2**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Max Points Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Language Proficiency (English or French)</td>
<td>125</td>
</tr>
<tr>
<td>Age</td>
<td>75</td>
</tr>
<tr>
<td>Work Experience</td>
<td>175</td>
</tr>
<tr>
<td>Education</td>
<td>125</td>
</tr>
<tr>
<td>Adaptability</td>
<td>500</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>-200</td>
</tr>
</tbody>
</table>

Under the Adaptability factor, all applicants must demonstrate some connection to Manitoba. By prioritising prior relationships and integration within the province, the system is aimed at migrants who are likely to settle in the province. Applicants can receive points for only one type of connection to Manitoba, even if more apply. For example, if an applicant has both a close relative in Manitoba and previous work experience in Manitoba, only one of these categories will count towards their overall point total. However, migrants may receive additional ‘regional immigration’ points for
planning to settle in a region of Manitoba outside the city of Winnipeg. The ‘Adaptability’ category is further disaggregated here (Figure 3.3):

**Figure 3.3**

<table>
<thead>
<tr>
<th>Connection to Manitoba</th>
<th>Points Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close relative in Manitoba</td>
<td>200</td>
</tr>
<tr>
<td>Previous work experience in Manitoba</td>
<td>100</td>
</tr>
<tr>
<td>Post-secondary program (2+ years) in Manitoba</td>
<td>100</td>
</tr>
<tr>
<td>Post-secondary program (1 year) in Manitoba</td>
<td>50</td>
</tr>
<tr>
<td>Close friend or distant relative living in Manitoba</td>
<td>50</td>
</tr>
<tr>
<td>Ongoing employment in Manitoba for 6 months and long-term job offer with same employer</td>
<td>500</td>
</tr>
<tr>
<td>Invitation to Apply under a Strategic Initiative</td>
<td>500</td>
</tr>
<tr>
<td>Immigration destination to Manitoba is outside of Winnipeg</td>
<td>50</td>
</tr>
</tbody>
</table>

The Manitoba PNP is seen as particularly successful in building close cooperation with employers, and building on a thorough consultation process to understand local needs.47

**Effectiveness**

The PNPs have had a clear effect of attracting migrants to more peripheral areas, and data suggests that they have influenced a redistribution of migration away from the main cities of Montreal, Vancouver and Toronto. In 2017, 34% of economic immigrants settled outside Ontario, British Columbia and Quebec, compared to just 10% in 1997.48

Looking specifically at the Manitoba case, in 1996, just 233 people were admitted through the first PNP in Manitoba, increasing to 9,958 by 2016. Over the period 1999-2007 Manitoba attracted 40,000 migrants; it has been estimated that in the absence of the PNP, the number over this period would have been 12,000.49 In terms of geographic dispersal, the provincial government highlighted that 28,000 nominees settled in at least 130 rural communities, and the program is credited for the growth of cities such as Morden, Neepawa, Steinbach and Winkler.50 However, if we look at PNPs across Canada, redistribution of migrants to the less central provinces has been more modest. For example, of the nearly 50,000 migrants admitted through PNP pathways in 2017, almost 42,000 were admitted into Manitoba, Saskatchewan, Ontario, and British Columbia.

Compared to federal economic migrants, provincial nominees have substantially higher earnings in the year after arrival. This is likely to be due to the link between PNP migration and employment. Interestingly, a study by Statistics Canada from 2008 also showed that migrants entering more peripheral regions and smaller urban areas were more likely to be economically successful. These immigrants were able to use their credentials more effectively and were able to overcome their lack of linguistic ability more easily.51
The effectiveness of PNPs has been measured by looking both at the ability of provinces to attract migrants, and their abilities to retain them. In terms of retention, an evaluation of PNPs in 2017 found that 83% of PNP migrants admitted to Canada between 2002 and 2014 were still residing in their province or territory of nomination in 2014. However, this varied significantly, and more remote areas had lower retention rates. Prince Edward Island had only 27% retention, with 56.7% in Newfoundland and Labrador, 59% in New Brunswick and 65% for Nova Scotia. Retention in Canada overall was high, with only 4% leaving Canada after receiving permanent residency. Migrants reported that the most significant factor affecting retention in the province of nomination was economic: onward movement was most likely to occur where they considered that better or more job opportunities were available outside of their original province. This points to the importance of linking provincial migration with labour market opportunities.

Challenges with retention have been especially pronounced in the Atlantic provinces (Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick), prompting the development of targeted measures to attract and retain migrants within the Atlantic Growth Strategy. These are described in more detail in Case Study 2.

Relevance

The PNPs are explicitly oriented to addressing labour needs and stimulating economic development in less central/urban areas of Canada, challenges which are to a significant degree impacted by population decline. As such, they can be understood as in part a response to the types of demographic challenges similar to those faced in Scotland: ageing population, combined with population decline in a number of (especially rural and remote) areas. The points-based systems build in flexibility to accommodate a range of labour market and demographic needs, which can be varied in terms of location (across and within provinces/territories), occupational and skills shortages, and over time. Thus, for example, the points system can be weighted to impose lower conditions for particular occupations in specific rural areas.

In terms of rights of migrants, PNPs are among the most generous programmes in the world, offering permanent residency from the outset, and access to citizenship after 3 years. There are no restrictions on movement within Canada once the nominee receives permanent residence.

One of the main challenges, however, has been to attract and retain migrants to remoter areas, and Canadian provinces/territories have sought to address this through selecting nominees based on their likelihood to settle in the area. They have also combined admissions programmes with measures to encourage longer-term integration and settlement, notably in the Atlantic area (see Case Study 2).
**Figure 3.4 Summary assessment of the scheme**

<table>
<thead>
<tr>
<th>Type of shortage</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>✓</td>
</tr>
<tr>
<td>Sectoral</td>
<td>✓</td>
</tr>
<tr>
<td>Geographic</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Drawbacks**
- Retention challenges in some areas, especially given no restriction on free movement
- Political feasibility of offering rights package/permanent residency from the outset
Case Study 2: Canadian Atlantic Immigration Pilot Program

Our second case study is an initiative to attract and retain migrants to Atlantic Canada, an area that has been especially affected by population decline. Atlantic Canada comprises four provinces: Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador. Atlantic Canada is affected more than other regions by population ageing and slowing population growth. In 2017, those over 65 comprised about 20% of the population in these provinces, compared to a national average of 17%. Researchers project that outmigration of youth and a decline in birth rates mean that the labour force will reduce by 13% between 2011 and 2031 in Newfoundland and Labrador, 6% in Nova Scotia, and 3% in New Brunswick.

In 2017, the Canadian Government launched the Atlantic Immigration Pilot Program (AIPP), as part of a wider Atlantic Growth Strategy. This programme seeks to encourage economic development to retain both native-born young Canadians, and to attract and retain migrants. The Strategy’s main priorities have been described as: “creating well-paying middle class jobs, strengthening local communities and growing innovative companies in the region”. The AIPP is a pilot programme, initially launched for 3 years, and recently extended for another 2 years to run until 2021.

How it works

The AIPP focuses on two elements that are seen as essential to successful long-term migration: a job, and support for settlement. The programme thus requires a job offer for all of its visa streams, and is strongly employer-driven. Employers are designated by each province after proving that they are an established business, that they are connected with a designated settlement service, and committed to supporting the new migrant and their family as they integrate into Atlantic Canada. Once they have provided a job offer, designated employers are required to connect the migrant with a relevant settlement service provider organisation, which conducts a needs assessment and develops a settlement plan.

Benefits for designated employers include exemption from the need to obtain a Labour Market Impact Assessment to hire migrants through the AIPP. The processing times for AIPP migrants are also designed to be shorter than through other schemes. In order to make the process more efficient for employers, AIPP migrants can receive a 1-year temporary work permit (along with an open work permit for their spouses) after receiving a job offer from a designated employer in an Atlantic Province.

The AIPP has three main streams of entry: the Atlantic High-Skilled Program (AHSP), the Atlantic Intermediate-Skilled Program (AISP) and the Atlantic International Graduate Program (AIGP). For all of these streams, the applicant is required to have a job offer from a designated employer, to be able to communicate in English or French, and to have proof of their ability to support accompanying family members. The language requirement for the AIPP (Level 4) and educational requirements are slightly lower than for most other Canadian immigration schemes. All AIPP migrants must also have a letter of endorsement from the province.
The Atlantic High-Skilled Program requires one year of employment in an occupation related to the job offer, in the previous three years. The work experience and the job offer must be at skill levels 0, A, or B (i.e. management jobs, professional jobs requiring a university degree, or technical/trades jobs). The job offer must also be full time, non-seasonal, at least 1 year, and provided by a designated employer.

The Atlantic Intermediate-Skilled Program requires one year in an occupation related to the job offer. However, the work experience and job offer can also be at skill level C (occupations requiring prior training, excluding labourer jobs that provide on-the-job training). Applicants applying through the AISP mostly come from skill level C, since the other skill level jobs can apply through the AHSP. There have also been efforts to expand the programme to increase uptake by health care workers.

The Atlantic International Graduate Program requires that the applicant has lived in an Atlantic province for at least 16 months in the 2 years before getting their degree, and has a diploma or credential that meets the education requirements. The graduate is required to have at least a 2 year degree or trade/apprenticeship credential from a recognised publicly-funded institution in an Atlantic province. The applicant must have a full time, non-seasonal job offer for at least 1 year from a designated employer. It should be at skill level 0, A, B or C (i.e. not a labourer job that provides on-the-job training).

A number of initiatives have been adopted to promote recruitment, through raising employer and migrant awareness. In its review of the AIPP in March 2019, Immigration, Refugees and Citizenship Canada noted that the Atlantic Canada Opportunities Agency (ACOA) and the Atlantic provinces had organised almost 1,000 meetings, events, career fairs and information sessions with regional employers and international students in the first three years of the programme (IRCC, March 2019). The federal government has also supported employers through a Dedicated Service Channel, which aims to facilitate the hiring of migrants and provides guidance for success after recruitment.

The AIPP recognises that migration policy cannot only be about recruitment but must also consider retention. In order to encourage retention, there are a number of settlement service providers in each province, which work with both the employee and employer. For example, the Immigration Services Association of Nova Scotia delivers pre- and post- arrival programmes centred on intercultural communication and leadership, language learning, and developing community connections. The service providers also try to match employers with immigrants to scope future job opportunities.

With the extension of the pilot in 2019, changes were made to the program. These included giving international graduates more time to apply and providing more flexibility in hiring health care professionals in the intermediate skilled category. Initially, only the spouses of high-skilled workers were allowed an open work permit (i.e. not tied to a specific job), but one of the 2019 revisions to the program was to expand this right to the spouses of intermediate-skilled workers as well. The change was made to further encourage retention.57
Effectiveness

Although in its infancy, the programme has already been assessed as having positive outcomes. From 2017 to 2018, more than 2,000 graduates and skilled immigrants received job offers, personalized settlement plans, and endorsement from a province to submit an application to immigrate to Canada.\(^5\) The programme expanded its quota from 2018 to 2019, with 2,500 spaces available. Across the Atlantic provinces, over 1,400 employers have been designated to take part in the programme.\(^5\) This is seen as a key metric to success, because the designation enables and encourages more employers to recruit and attract migrants to the region. However, another key measurement to success is the retention rate of AIPP migrants; it is still too early in the pilot programme to measure this outcome.

Figure 3.5 below shows that there are disparities across types of job offered within the AIPP. The majority of AIPP migrants fall into skill class B (technical and trades professions), followed by class C (trained). In a reflection on the programme in November 2018, the province of New Brunswick showed that the sectors that predominantly sought AIPP migrants were food and accommodation services and transport. Very few international graduates have used the scheme, which led to the extension of the deadline for application to 24 months in the 2019 reforms to the pilot.

Figure 3.5
Source: Public Policy Forum (Toughill and Wan, 2018).\(^6\)

<table>
<thead>
<tr>
<th>Total Jobs</th>
<th>NL</th>
<th>NS</th>
<th>NB</th>
</tr>
</thead>
<tbody>
<tr>
<td>O (managers)</td>
<td>4%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>A (professional)</td>
<td>6%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>B (technical and trades)</td>
<td>75%</td>
<td>50%</td>
<td>41%</td>
</tr>
<tr>
<td>C (trained)</td>
<td>16%</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Nova Scotia, with a quota of 792 AIPP places, only filled 201 spots in 2017. However, in 2018, the province was on track to meet the quota.\(^6\) Nova Scotia’s experience shows that the Atlantic Immigration Pilot requires promotion and support from the province. In order to increase the number of applicants, Nova Scotia organised more events to raise awareness among employers and university students, as well as meeting with employers individually. Both New Brunswick and Prince Edward Island sought to expand their numbers of AIPP places between 2017 and 2018, because their demand exceeded the quota. In New Brunswick, this increased the number of spaces from 646 to 1,046.\(^6\) In some cases, the AIPP has led to excessive demand in certain sectors. For example, Newfoundland and Labrador halted AIPP applications to work in the food and accommodations sector due to excess demand from employers.

The perceived success of the AIPP can be seen in the introduction of the Rural and Northern Immigration Pilot, which was announced in June 2019 and will begin operating in autumn 2019. Similarly to the AIPP, this programme is aimed at helping ‘smaller rural and northern communities attract and retain foreign skilled workers to
meet their economic development and labour market needs’. It is pitched as a ‘community-driven’ programme, and 11 participating communities have been selected based on their economic need, the existence of community partners to administer the pilot, and the existence of federal settlement partners.

**Figure 3.6 Summary assessment of the scheme**

<table>
<thead>
<tr>
<th>Type of shortage</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
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<tr>
<td>Sectoral</td>
<td>✓</td>
</tr>
<tr>
<td>Geographic</td>
<td>✓</td>
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</table>

**Drawbacks**

- Requires substantial investment in support capacity in provinces, and relies on employers to encourage retention
- May be limited in addressing in underlying economic and social causes of low retention in remote and rural areas
Case Study 3: AUSTRALIA: State Specific and Regional Migration (SSRM) Scheme

In common with other OECD countries, Australia faces challenges related to an ageing population, and has adopted a range of measures to increase labour force participation and enhance productivity, as well as using immigration policy as a tool to mitigate shortages. This is reflected in its points-based system, which provides channels for recruiting skilled employees, students, investors and entrepreneurs. Alongside its federal scheme, a major focus has been to counter the perceived over-centralisation of the population (including foreign-born nationals) in major cities. By contrast, many local (and especially non-urban) areas are facing population decline, created by a decline in natural increase which is not being offset by in-migration. As a consequence, much of Australia’s immigration policy has been oriented towards encouraging settlement in remoter parts of Australia, and relieving pressures on urban areas. This goal has guided recent decisions to increase the quota of permanent visas, and expand options for acquiring a regional visa.

In recognition of regional disparities, the first State Specific and Regional Migration (SSRM) schemes were introduced in 1995. These schemes are designed to promote the spatial redistribution of migrants, in order to meet regional labour shortages. The SSRM fall within Australia’s skilled migration category, which accounted for 68.4% of migrants in 2017-18. Most of the schemes are human capital based, in that they recruit people based on points awarded for various characteristics (skills, qualifications, and so on). However, many of the schemes have increasingly incorporated a specific job offer as one of the criteria, another example of the ‘hybridisation of human capital points-based systems.

How it works

SSRM visa schemes are generally targeted at applicants who fall just short of the pass threshold of Australia’s wider Points Assessment Scheme. The schemes mainly target ‘skilled’ workers, defined as those in the top four Australian Standard Classification of Occupations (ASCO) categories: managers, professionals, paraprofessionals, and skilled tradespeople. The SSRM includes the following schemes:

- The Regional Sponsored Migration Scheme (RSMS), which enables employers in regional and low population growth areas to sponsor skilled employees. It is part of the Employer Sponsored category and accounted for 6,221 migrants in 2017/18. While only open to skilled migrants under 45 years of age, it allows a relaxation of some of the skills and age and language requirements in place for the federal-level scheme and offers applicants lower fees. Sponsored migrants require a job offer from an employer.

- State and Territory Nominated Independent (STNI) Scheme, which allows the state or territory to nominate migrants who have narrowly missed the pass threshold for the federal-level General Skilled Migration scheme. Nominees must be skilled migrants, who will support local economic development needs and address local labour shortages. In 2017/18 around 27,400 migrants were recruited under this route.
In November 2019, a new scheme, the Skilled Employer Sponsored Regional (Provisional) visa, will be introduced to replace the RSMS. This new visa is designed to promote settlement in regions, through making permanent residency contingent on living and working in the relevant region while holding the visa. Holders of the new regional provisional visas will be required to live and work in regional Australia for the duration of their visa, which will have a validity period of up to 5 years. To be eligible for permanent residence, regional provisional visa holders will need to demonstrate they have lived and worked in regional Australia as holders of a regional provisional visa and had a taxable income at a minimum level for three years.

The SSRM schemes recognise that labour needs in ‘Regional Australia’ are different to those of more metropolitan areas. For example, employers nominating migrants through the new Skilled Employer Sponsored Regional visa will have access to 450 more occupations than the equivalent non-regional visa. Entrants will also have priority processing over non-regional equivalents.

There was also an expansion of the temporary graduate visa, allowing international students to remain for an extra year of post-study work. Graduates become eligible for this extension if they have graduated from a regional campus of a registered higher education/postgraduate university or institution and if they remain in a regional area during their first Temporary Graduate visa.

All Australian states and territories take part in some of these SSRM schemes, although not all areas are eligible for each type of visa. The original eligibility criteria for the areas which could take part in the SSRM schemes were explicitly demographic: areas with less than 200,000 inhabitants at the 2001 Census or that had a population growth rate less than half that of the national average (1996-2001). This meant that, within most Australian states, SSRM migrants do not have the opportunity to settle in Australia’s largest metropolitan centres. The policy thus aims at the redistribution of migrants to more peripheral states and to more rural and remote areas within popular settlement states. Since 2019, the eligibility for areas that can receive state/regional sponsored visas has been simplified. Now, the definition of Regional Australia includes all of Australia except for selected metropolitan areas: Sydney, Melbourne, Brisbane, Gold Coast and Perth.

Prior to the November 2019 changes, most SSRM schemes had built in a residency requirement to stay for a period of 2-3 years in the state or territory they entered. For example, entrants through the RSMS were granted a 5-year entry visa to live and work in Australia, and were required to live in the relevant location for at least 2 of these 5 years in order to have their visa reissued (for a further 5 years). Entrants were required to notify immigration authorities of any change of address, and could have their visa cancelled if they had not made a genuine effort to remain in the nominated position for at least 2 years. They could be eligible for citizenship after 4 consecutive years in Australia.

The new Skilled Employer Sponsored Regional (Provisional) visa (see above), introduced in November 2019, builds in stronger residency and work conditions. It sets a requirement of living and working in the region for 5 years before earning permanent residency, including having a taxable income at a minimum level for at
least 3 years. The explicit goal of this change is to ‘incentivise migrants to stay in regional areas longer term as they build ties through workforce and community participation’. Entrants will have a pathway to permanent residence, with a new Permanent Residence (Skilled Regional) visa commencing in 2022.

There are benefits to migrants applying through SSRM schemes, including more relaxed admission criteria and faster processing times. Processing through individuals sponsored through the state/territories takes approximately 6 months, while the federal skilled stream is processed within 12 months.

One example of a region benefitting from the SSRM is South Australia. Since the decline of South Australia’s manufacturing industries in the 1970s, the state has experienced slower growth, generating outflows of young South Australians. As a consequence, South Australia has a larger proportion of its population aged 65 years and over than other states (in 2001, 14.4% compared to the Australian average of 12.6%).

The South Australian state sought to counteract this trend through the creation of a population policy in 2004, which explicitly aimed at growing the South Australian population through attracting more immigrants. South Australia’s capital, Adelaide, meets the criteria for SSRM visas due to its slower than average population growth. The presence of a smaller capital means that South Australia is one of the few states that allows migrants to settle in a metropolitan place through the SSRM.

Effectiveness

State specific and regional migration mechanisms have grown as a proportion of the overall entryways for migrants. In 1997, the number of visas granted via SSRM categories accounted for only 2.3% of the total non-humanitarian intake; by 2017/18, 32.6% of migrants entered through SSRMs. This is in the context of a broadly steady level of non-humanitarian immigration over this period. This suggests that the system is in demand by both migrants and states, and has contributed to the goal of addressing aggregate shortages caused by demographic change.

To evaluate the spatial redistribution of migrants after the introduction of the SSRM, it is possible to consider the number of new settler arrivals in each region of Australia over time (Figure 3.7). This has been split into four separate regions: New South Wales, Victoria, and Queensland (the three top recipients of migrants in 1991-1996) and the rest of Australia. It is evident that since the introduction of the SSRMs, there has been a shift away from New South Wales towards other Australian regions. There has been an increase of migrant arrivals to Queensland and Victoria, as well as a decrease of 5% in New South Wales.
Figure 3.7 Percent of migrant arrivals by Australian region

Source: Hugo (2008), Australian Demographic Statistics; updated using 2018 data.\textsuperscript{71}

<table>
<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>41.2</td>
<td>40.8</td>
<td>34.1</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>Victoria</td>
<td>24.4</td>
<td>23.6</td>
<td>26.1</td>
<td>30.5</td>
<td>25.9</td>
</tr>
<tr>
<td>Queensland</td>
<td>15.1</td>
<td>17.3</td>
<td>18.5</td>
<td>16.3</td>
<td>20.1</td>
</tr>
<tr>
<td>Rest of Australia</td>
<td>19.3</td>
<td>18.3</td>
<td>21.3</td>
<td>17.2</td>
<td>22.1</td>
</tr>
</tbody>
</table>

For peripheral regions, the picture is less clear. While over the longer term there seems to be an increase in migrant arrivals, this is very modest. This suggests that SSRM visas must be paired with a clear and explicit commitment to attracting migrants, as can be seen in South Australia’s implementation of a wider ‘population policy’ alongside its embrace of the SSRM mechanisms.

It is difficult to assess the success of the SSRM in retaining migrants. Unlike Canada, the Australian Statistics agency does not publish information on migrant retention. However, available data suggest that while these schemes have led to substantial in-flows of foreign nationals, many regions continue to see high levels of out-migration of both foreign nationals and Australians to other parts of the country. December 2018 population statistics disaggregated urban centres and the ‘rest of the state. They showed that outside of Adelaide, in the ‘rest of South Australia’ there were net inflows through overseas migration (960 people) but a loss of 973 people (including native born) through net internal migration. Clearly, concerns about retention motivated the introduction of the new Skilled Employer Sponsored Regional (Provisional) visa, with its more stringent requirements for living and working in the sponsoring region.

There have been some criticisms of the scheme, revolving around the impact of residential requirements within the SSRM, which is perceived by many as creating a two-class system of migration in which some migrants have freedom of movement while SSRM migrants are regionally restricted. Furthermore, the complexity, multiplicity, and changing nature of SSRM mechanisms can make it more challenging for migrants to navigate the state and regional specific schemes.

Relevance

The Australian SSRM mechanisms offer multiple entry mechanisms, designed to address a range of demography-related goals: addressing aggregate shortages, specific occupational shortages, and encouraging migration to regions especially affected by population decline. This latter is achieved by selecting those who have
narrowly missed qualifying for the federal-level scheme. Unlike other schemes discussed in this report, the SSRM mechanisms are mainly limited to high skilled migrants. The fact that Australia has managed to attract substantial numbers of high skilled migrants to both federal and SSRM schemes, including to areas outside of the major cities, attests to the appeal of Australia as a country of destination. Scotland may face more significant impediments in attracting high skilled migrants at these levels, especially to remote/rural areas, especially as many of the jobs available in areas facing population decline would not meet these skills criteria.

The SSRM have built in provisions to promote retention, including a residence requirement of 2-3 years, with permanent residency status obtainable after 4 years. These requirements are being made more stringent under the November 2019 regional visas, which require entrants to stay in the sponsoring region for 5 years, including demonstrating 3 years of taxable income. Under the previous schemes, less popular destination areas such as areas of South Australia outside of Adelaide have continued to suffer from net out-flows to other parts of Australia, which have offset positive inflows from overseas. These areas have found they need to introduce a wider set of measures to encourage longer-term settlement of migrants. It will be instructive to monitor whether the new, more rigorous residency and work requirements lead to higher levels of retention in more peripheral regions of Australia.

**Figure 3.8 Summary assessment of the scheme**

<table>
<thead>
<tr>
<th>Type of shortage</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>✓</td>
</tr>
<tr>
<td>Sectoral</td>
<td>✓</td>
</tr>
<tr>
<td>Geographic</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Drawbacks**

- Challenges with retention in many areas, potentially being addressed by new provisions
- Some criticisms of residency requirements
Case Study 4: SPAIN: Catalogue of ‘Hard to Fill’ Occupations

Similar to other Southern European countries, Spain faces significant challenges with ageing population. However, following a long period of net out-migration, Spain saw substantial levels of in-migration from the early 2000s onwards. Between 2000-2009, the foreign-born population more than quadrupled, with in-migration exceeding out-migration by more than 5 million, adding to a population of 40 million. In 2005, it was estimated that around forty per cent of migrants were located in Madrid and Barcelona, with another third concentrated in the Mediterranean provinces and Canaries/Balearic Islands. As Spain has become a country of immigration, its lack of adequate recruitment and processing systems, the prevalence of lower skilled jobs, and a large informal economy led to substantial levels of irregular migration.

This prompted a series of regularisation programmes (between 1986 – 2005) to legalise the status of undocumented migrants. Partly to address the problem of undocumented workers, in 2004, the Spanish government implemented a Catalogue of Hard to Fill Occupations (Catalogo de trabajos de difícil cobertura). This is a list of occupations for which there are no or few EEA nationals available. Employers may recruit non-EEA workers for jobs on the list, without carrying out labour market tests. One of the key goals of the Catalogue was to ensure that labour shortages were filled through regular channels, by making the system more responsive to employers’ needs.

The Catalogue complements the existing Contingente system, which provides a quota system for temporary workers to enter Spain. The Contingente is more narrowly targeted, allowing Spanish companies with more than ten employees to recruit a group of people to fill specific occupations. Updated annually, this was seen as much less flexible than the quarterly-updated Catalogue.

The Catalogue can be classified as an employment-based programme, since it selects migrants based on existing labour market shortages. It is also relatively restrictive compared to the Australian and Canadian schemes already discussed, since migrants are permitted to stay for an initial year, followed by two 2-year renewals. However, there is the opportunity for permanent settlement after 5 years, and there is increasing flexibility over the course of the first 5 years to switch jobs and location and to be joined by family. Thus it is somewhere in the middle of the spectrum from restrictive to expansive.

How it works

The Catalogue is prepared on a regional basis, with each province providing a list of occupations that are hard-to-fill in their area. These lists are based on official employment office information, and following negotiation between the provincial government, the state job-placement service, the National Employment Institute (INEM), and the tripartite Employment Commission on Immigration (Comisión Laboral Tripartita de Inmigración).

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The Catalogue is published by the Spanish government every three months. The list has no restriction or threshold in terms of the skill levels of occupations, and a wide range of jobs have been included. There is also a substantial variation in the number
of occupations listed across different regions. The list has tended to be dominated by labour intensive and seasonal sectors such as agriculture and tourism with many jobs at lower skill levels. Migrants who enter through the Catalogue must have been living outside of Spain. This stipulation aims to ensure that the Catalogue does not become a channel for regularising undocumented workers.

Migrants admitted under Catalogue are granted an initial one-year visa, which may be renewed for 2 years and then for a further 2 years. After five years of residency, migrants are eligible to apply for permanent residency. The renewal of permits is based on employment, which in practice means that it is contingent on payment of social security contributions over the relevant period. During the first year of residency, the worker is restricted to the same economic sector and province as they entered, although they may change employer.

Effectiveness

In its early days, the catalogue provided a more efficient way to process migrants than the traditional quota system. After 2004, it became “the mechanism par excellence for entering the country”. Between 2004 and 2007, there were 352,307 offers of employment through the Catalogue system, compared to 14,229 offers through the Contingente system.

While the Catalogue was not adopted explicitly to address demographic goals, it certainly provided a flexible, legal route for in-migration, which overall has made a substantial contribution to population growth and expansion of the working-age population. The increase in migrants is also considered to have had an effect on rural areas. Researchers found that the arrival of more migrants into rural areas had reversed depopulation and even contributed to gains in population. Others have noted that various incentives exist for the movement of migrants into rural areas including the ageing/retirement of native-born labourers, better amenities and lower housing and living costs. However, given that regional differentiation is at the level of autonomous communities rather than local areas, there is a risk that migrants will move to urban hubs within these regions, where there are greater employment opportunities.

In terms of its economic and labour market goals, the Catalogue was widely seen as successful at a time of economic growth and high demand for (especially low-cost, lower-skilled) foreign labour. However, the OECD notes that the 2008 economic crisis made it difficult to evaluate the system. On the one hand, the crisis led to a ‘virtual closure’ of the Catalogue because of the lack of jobs available in Spain. The Catalogue listed 488 occupations in the first semester of 2008 compared to 50 in the first semester of 2011. In 2015, the modest increase (10%) in immigration was seen as a sign of economic recovery. This responsiveness to the economy shows the system’s flexibility: its ability to expand or contract recruitment based on economic conditions.

On the other hand, by the late 2000s the Catalogue had created a pool of lower-skilled workers residing in Spain who were especially vulnerable to rising unemployment and who required additional support. In 2010, 29.1% of migrant workers were unemployed, as compared to 18.1% of native-born workers. Spain
even began a ‘voluntary return’ programme which incentivised people to re-migrate to their home countries. Unemployed migrant workers, registered with the Public Employment Service, were given lump sums of money as long as they agreed not to return to Spain for 3 years. However, very few migrants have taken part in the programme.

Due to the requirements to prove integration into the economic system and regularly renew residency permits, migrants are also at risk of ‘falling into illegality’ after the first year of residency. This is especially problematic given the precarity of many job offers. Between 2004 and 2007, only 10% of job offers to foreign (non-EU) workers were for an indefinite period. Indeed, many of the migrants were recruited to fill shortages in industries with unstable employment patterns and poor conditions. This may increase the vulnerability of migrants, especially where they are unable to transition to permanent residence status.

Relevance

While the Catalogue is not explicitly designed to address demographic goals (it is oriented to addressing labour market shortages), three main features make the programme well equipped to respond to shortages linked to population decline and ageing. First, it covers shortages across all occupations and skills levels, thereby including a wide range of occupational shortages, including jobs in agriculture, tourism, and so on which are likely to be more prevalent in rural areas. Second, it allows differentiation across regional areas, to accommodate regionally specific needs. It should be noted, though, that within regions there is no differentiation between urban and rural/remote areas. There are also reportedly challenges around enforcing the requirement of residing in the relevant region for the first year. Thirdly, it builds in a pathway to permanent residence – though again, there have been issues in implementing this, with reports of migrants slipping into irregular status.

More generally, the scheme demonstrates the trade-offs of more flexible schemes. The Catalogue allows workers to switch jobs once in Spain (and to switch location after the first year); and, at least in principle, to benefit from permanent residency after 5 years. This can provide migrants with more flexibility in navigating the labour market, and also offers a pathway to settlement.

However, the inclusion of lower-skilled migrants working in more precarious sectors, and the looser link between specific job offers and sponsoring employers and residency, does create a higher risk of unemployment. During the economic shock of 2007/2008, the Spanish government reduced the number of jobs available through the Catalogue to almost zero. This system thus provided some flexibility to slow the intake of migrants when needed. However, the economic shock also exposed the vulnerability of migrants who had already entered through the scheme, many of whom were left in a precarious situation. Such vulnerability may be especially acute where workers face restrictions on mobility, including a requirement to stay in an area where there is less availability of employment.
Figure 3.9 Summary assessment of the scheme

<table>
<thead>
<tr>
<th>Type of shortage</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
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<tr>
<td>Sectoral</td>
<td>✓</td>
</tr>
<tr>
<td>Geographic</td>
<td>Partial</td>
</tr>
</tbody>
</table>

**Drawbacks**
- Challenges of enforcement, and overstay
- Low-skilled sectors more vulnerable to economic downturns and unemployment
In Sweden, migration has traditionally been dominated by family reunification and asylum seeker entries, and until 2008, Sweden had a relatively restrictive approach to labour migration, in part driven by trade union resistance to recruitment of non-Nordic workers. During the 1990s, with entry into the EU and pressing demographic issues, this restrictiveness began to ease, and in 2008 the government ‘New Rules for Labour Immigration’ which liberalised and expanded Sweden’s labour migration laws. This policy change was explicitly justified in terms of an insufficient, and insufficiently skilled, labour force in Sweden, partly due to the relatively small proportion of EU migrants that move to Sweden.\(^9\) However, its long-term goals were framed as increasing the working age population to counteract demographic challenges.\(^9\)

The 2008 policies introduced a greater role for employers in determining their own needs, and removed quotas on the number of labour migrants.\(^9\) Recruitment is not restricted to particular skills, occupations or salary thresholds, but based on shortages identified by employers. Moreover, in contrast to most employment-based schemes, the Swedish reform bestows relatively expansive rights, including a generous pathway to settlement. These two features – the lack of specific skills/salary or occupational restrictions, and generous package of rights – make it especially relevant as a potential approach to addressing demographic challenges.

**How it works**

The 2008 law introduced an employer-led system, under which employers may select migrant workers without undergoing labour market checks. There are no restrictions on skills levels or occupations, and no numerical cap. The only requirement to receive the permit is to have a job offer with “a sufficient income by Swedish standards so as not to be eligible for a social allowance”.\(^9\) Relevant income and labour standards are defined by the government in negotiation with employers and trade unions. The Public Employment Agency also compiles a list of shortage occupations, and work permits within this list are expedited. Once in Sweden, migrants with a job offer for a shortage occupation can apply for a new work permit without being required to leave Sweden and thereby change occupation, provided the switch is completed within 3 months.

Migrants are initially granted a two-year work permit, which can be extended for two years if they are still employed. After four years, they can obtain permanent residency. For the first two years, migrants are restricted to a specific employer and occupation; after this, they are restricted only to an occupation (although they may switch to occupations on the shortage list, as referred to above). Migrants have three months to find another job if they lose their initial position.

New migrants have extensive rights. Families are allowed to join labour migrants from the beginning of their work permit and can also receive work permits.\(^9\) In order to qualify for reunion, migrants must demonstrate they have suitable accommodation and sufficient resources. Migrants have full access to welfare rights after the first year once they are registered on the national population register. After 4 years’
residence, labour migrants can apply for permanent residence. These generous rights and access to settlement are viewed as necessary to attract migrants to Sweden.\textsuperscript{100}

Sweden has also experienced some challenges in relation to working age population decline in rural areas. Predominantly rural areas in Sweden experienced population growth from 2012–2015, but these areas also have an increasing number of residents over the age of 65 and under 15. There is also a significant gender imbalance; men outnumber women in all age groups except those over 70.\textsuperscript{101} Swedish migration policy does not build in any provision to directly address this. However, the Swedish Parliament’s rural growth strategy emphasises rural businesses’ international connections, for example by increasing access to financial capital and developing better digital communications and professional networks.\textsuperscript{102} As such, although there is no explicit geographical redistribution mechanism in Sweden’s migration policy, the Swedish government seeks to empower rural employers to attract new workers.

\textbf{Effectiveness}

The 2008 liberalisation has generated an increase in non-EU labour market-based work permits, with the number issued rising from under 10,000 before the reform, to over 40,000 in 2018 (see Figure 3.10). Labour migration also constitutes a rising proportion of overall in-migration (including family reunification, asylum seekers, students and EU migrants). Between 2000 and 2003, only 1% of migrants were admitted for labour market reasons.\textsuperscript{103} In 2010, work-based permits comprised 22.3\% of migration, rising to 31\% in 2018.\textsuperscript{104} This increase is also linked to economic growth over the past years. However, as commentators have noted, this represents a relatively small contribution to offsetting population ageing.\textsuperscript{105}

\textbf{Figure 3.10 Labour-market based Residence Permits (2005-2018)}

<table>
<thead>
<tr>
<th>Year</th>
<th>Work-based permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>5985</td>
</tr>
<tr>
<td>2006</td>
<td>6257</td>
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<tr>
<td>2007</td>
<td>9859</td>
</tr>
<tr>
<td>2008</td>
<td>14513</td>
</tr>
<tr>
<td>2009</td>
<td>21359</td>
</tr>
<tr>
<td>2010</td>
<td>21509</td>
</tr>
<tr>
<td>2011</td>
<td>26123</td>
</tr>
<tr>
<td>2012</td>
<td>29626</td>
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<td>2013</td>
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<tr>
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<td>2016</td>
<td>24710</td>
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<tr>
<td>2017</td>
<td>32294</td>
</tr>
<tr>
<td>2018</td>
<td>41065</td>
</tr>
</tbody>
</table>
The lack of limitations on high or low skilled workers has been seen as largely successful in Sweden. Recent migrants who arrived after the 2008 policy change tend to be employed in a range of occupations and sectors, including lower paid work such as in hotels and restaurants, as well as in education, health and social care sectors. The openness of Sweden’s migration criteria, which focus on employer demand rather than salaries or skill levels, has led to a wide variety of destinations for migrants. The aggregation of all streams of migration into one system have led the Swedish system to be assessed as easy to access for migrants and employers.

In a study of the effects of the 2008 change in law, researchers use data provided by Statistics Sweden on economic migrants from outside of EEA countries from 2009-11 to analyse characteristics of migrants. They describe the migrants that arrived in these years. The most common occupations included agricultural/fishery and other similar labourers (including seasonal work), computing professionals, housekeeping and restaurant services workers, architects/engineers, and helpers and clearers. It is notable that 80% of work permits were for males.

In terms of geographical distribution, in 2012, 51.7% of migrants move to a job in the Stockholm region, 12.1% to Västra Götaland (which includes Gothenburg), and 10.5% to the Skåne region (which includes Malmö). As such, three quarters of migrants have settled in the regions around Sweden’s urban areas. There is some data on migrants’ mobility patterns after they initially migrate, but this data does fully incorporate the changes that occurred after 2008. Indeed, academics have found that recent migrants were more likely to move in the years after their arrival; they exhibit pro-urban directions of moves, move more often, and move predominantly for better education or jobs. However, over time, the differences between native born Swedes’ migration patterns and international migrants’ patterns recedes.

The predominance of seasonal workers, as well as significant numbers of intra-company transferees, means that the number of labour market work permits does not correspond to longer-term migration. It has been estimated that a third of those who received a work permit under the new law (2009-2011) were still in the country at the end of 2012, a figure rising to half if the seasonal workers were excluded.

In terms of labour market integration, immigrants in Sweden participate in the labour force at a rate of 82%, 4 points higher than the EU average. Nonetheless, there has been substantial debate in Sweden about the impediments faced by migrants in integrating into the labour market. These challenges are in part linked to language barriers (few EU or non-EU migrants have Swedish language skills) and qualifications mismatches. These qualifications mismatches occur particularly in occupations that have a national standard to entry, such as doctors and.

There have been concerns about potential exploitation of migrants, and lack of compliance with labour conditions and minimum wages in some sectors. As a result, in 2012 the government introduced stricter controls and auditing requirements on a number of sectors (including cleaning, hotels and restaurants, services, construction and agriculture). In addition, a more robust system of inspection and sanctions was introduced in 2014.
Relevance

Sweden’s 2008 labour migration liberalisation was a response to similar challenges to those faced by Scotland: ageing populations and skills shortages, and the liberalisation of Sweden’s labour migration was framed to respond to these problems. The decision to base selection on employer needs, across all sector and skills level, and the expansive package of rights, meant that this policy has been characterised as “swimming against the tide” in European migration policies.\textsuperscript{117}

This approach was made possible in part by Sweden’s distinctive corporatist approach, according to which the government works closely with employers and trade unions to set minimum employment standards and wages across occupations. It may be more challenging to replicate this employer-led approach in systems that lack robust minimum standards and wages, or a well-established structure of dialogue with social partners. In countries that lack these features, the reliance on employers to select migrants, without any additional selection criteria, may create incentives to recruit migrants on lower salaries and poorer conditions.

However, the programme offers an interesting approach to gradually easing restrictions on migrants’ employment, incrementally expanding rights and offering a generous pathway to settlement. The requirement of an initial job offer, and the initial conditionality linked to employment, imply that rights are gradually expanded based on the proven labour market integration of migrants. This makes it similar to the Spanish Catalogue; but in a context of more rigorous enforcement of employment and residency conditions.

While the programme does not build in an explicit regional dimension, the fact that it is open to all occupations implies that employers from areas facing population decline are able to meet labour shortages through this route.

### Figure 3.11 Summary assessment of the scheme

<table>
<thead>
<tr>
<th>Type of shortage</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>✓</td>
</tr>
<tr>
<td>Sectoral</td>
<td>✓</td>
</tr>
<tr>
<td>Geographic</td>
<td>-</td>
</tr>
</tbody>
</table>

**Drawbacks**

- No restriction on recruitment creates risk of abuse by employers, requiring rigorous enforcement of minimum conditions and wages
- Lack of regional differentiation, implying more limited role in addressing geographic shortages
4 Lessons from the Case Studies
4. Lessons from the Case Studies

The report has analysed five case studies, which illustrate a range of immigration policies designed to address different types of shortages. The Canadian and Australian systems are explicitly oriented towards addressing aggregate, sectoral and geographic shortages, including through promoting settlement and retention in remote and rural areas. The Spanish and Swedish systems, by contrast, are more geared towards aggregate and sectoral shortages; but by building in more flexibility in terms of the occupations and sectors covered, and providing pathways to settlement, they can also contribute to addressing shortages in particular areas.

In this chapter, we distil the case studies to draw some key lessons for Scotland and the UK in using immigration policy to address population ageing and decline.

4.1 The importance of job offers

As we would anticipate, immigration policies explicitly designed to address demographic challenges tend to offer more expansive rights packages, in order to encourage permanent settlement. This is most notably the case with Australian and Canadian systems, which tend to offer permanent residency from the outset.

However, while more expansive rights are often associated with recruitment based on human capital, both Australia and Canada have increasingly linked selection and recruitment to specific job offers. This ‘hybridisation’ of human capital and employer-led systems can help ensure entrants meet labour shortages in particular sectors or occupations. It also reflects the importance of employment opportunities for supporting labour market integration. Migrants with a pre-existing job offer avoid the challenge of navigating a new labour market on arrival, and there is a greater chance of aligning their skills and experience to suitable jobs.

These considerations will be especially relevant where programmes aim to promote the longer-term settlement of migrants and their families. A specific job offer, together with active commitment of employers to retain workers in the medium to long-term, is likely to increase the prospects for settlement. As exemplified in the Canadian Atlantic Immigration Pilot, such programmes may be especially relevant for remoter areas that have traditionally struggled to attract and retain migrants.

4.2 Rights and Retention

One of the key challenges of immigration policies encouraging settlement (in particular areas) is to get the right balance between the rights and autonomy of migrants; while creating incentives for entrants to behave in the way intended by the scheme, in terms of their employment and location choices.

Even where entry is conditional on a job offer, over time, the requirement to stay in a particular job, sector, or region, necessarily weakens. Host countries need to provide more expansive rights as migrants become longer-term residents, and part of this will involve increased mobility rights – in terms of choice of employer, occupation, and location within the country.
This creates a dilemma for programmes aimed at promoting settlement in specific areas. As suggested above, migrants need suitable job opportunities to make settlement viable. Specific job offers also ensure that selection/recruitment is based on a good match of profiles to jobs. And recruitment to a specific job may also increase the chances of staying in a particular area. At the same time, regions that have traditionally attracted fewer migrants may need to build in forms of conditionality around residency in the region, at least for an initial period of time.

Over time, however, these requirements need to loosen, to accommodate various forms of mobility. This is clearly important from a rights perspective. All of the countries examined offer expanding rights over time, in relation to employment, families, welfare, free movement within the country, and so on. Expanded employment rights are also important to enable migrants to respond to opportunities that match their skills and preferences. Being confined to a particular job or sector, or a particular region, may impede socio-economic mobility of migrants and their children.

The systems examined in the case studies balance these considerations in different ways, through incrementally expanding rights and reducing restrictions on mobility.

- **Sweden**: the first 2 years are linked to a specific job; followed by 2 years of more flexibility; and permanent residency after 4 years.

- **Spain**: the first year is tied to a specific job, with increasing flexibility for a further 2 + 2 years, with permanent residency after 5 years.

- **Australian SSRM**: 2 years residence in the region (including 1 year of employment), then permanent residency.

- **Canadian PNP (Manitoba)**: permanent residency from the outset, with no restrictions on movement.

It is worth noting that the new Skilled Employer Sponsored Regional visa in Australia (introduced in November 2019) will lengthen the period entrants are required to stay in the recruiting region, to 5 years. This approach assumes that people are more likely to settle once they have stayed over several years. Research suggests that settlement is especially likely once children are settled in school.

### 4.3 Promoting settlement

Apart from measures to link entry and stay to particular jobs and locations, there are two further approaches to promoting settlement.

Firstly, some programmes build the goal of promoting settlement into their selection criteria. For example, the Manitoba points system gives weight to a variety of characteristics considered to increase the probability of settlement (including relatives and friends in the province, and previous work experience or education in the province).
Secondly, the Canadian Atlantic Immigration Pilot includes a number of features to promote retention once nominees have arrived, working closely with employers and local organizations to develop a package to facilitate settlement. A crucial part of this is the close cooperation with designated employers, who commit to supporting the longer-term settlement of entrants.

4.4 Regional differentiation

Four of the schemes we examined offered scope for differentiating entry criteria according to regional needs. This was achieved through regional/provincial points systems in Australia and Canada, and through differentiated shortage occupation lists for provinces in Spain. In Australia and Canada, there was further differentiation within provinces, states or territories, with remote and rural areas subject to distinct programmes. In both cases, this reflected particular concerns about declining population in these areas, and a desire to avoid the over concentration of migration in urban areas. Criteria for admission into these remoter areas were less stringent. For example, the Australian Skilled Employer Sponsored Regional visa was open to a far wider range of occupations than the case for non-regional visas.

In both Spain and Sweden, while the programmes did not build in differential thresholds for remote areas or regions, they were nonetheless open to employees at any skill or salary level, or employed in any occupation. As such, these schemes allowed employers in remoter regions to recruit workers to a range of jobs that might otherwise not have met skills thresholds. And indeed, data from the two programmes suggests that there was substantial recruitment of workers at lower skills levels. The flexibility of these entry requirements, combined with their offer of pathways to settlement, may be well suited to addressing geographic shortages in rural and remote areas. However, there may be greater challenges in enforcing such schemes, as outlined below. Figure 4.1 sets out different types of differentiation which may help address geographic shortages.

Figure 4.1: Addressing Geographic Shortages through Differentiated Schemes

<table>
<thead>
<tr>
<th><strong>Direct differentiation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Region has a distinct scheme</td>
</tr>
<tr>
<td>• Single national scheme includes regional variation in entry criteria:</td>
</tr>
<tr>
<td>o Lower salary or skills threshold</td>
</tr>
<tr>
<td>o More extensive list of occupations</td>
</tr>
<tr>
<td>o Different points weighting</td>
</tr>
<tr>
<td>• Single national scheme includes variation in stay/settlement criteria</td>
</tr>
<tr>
<td>o Longer stay for particular region/s</td>
</tr>
<tr>
<td>o Lower thresholds for settlement for particular region/s</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Indirect differentiation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Single national scheme covers occupations/skills relevant to regional shortages</td>
</tr>
<tr>
<td>• Single national scheme builds in pathway to settlement</td>
</tr>
</tbody>
</table>
4.5 Enforcement

The various schemes carry different challenges in relation to implementation and enforcement. We can group the main issues as follows:

- **Complexity:** The more complex the scheme – for migrants, employers, and others involved in enforcement – the more challenging the scheme can be to enforce. Thus, for example, schemes that offer multiple different routes, or incremental adjustments of rights, can be more challenging for employers and migrants to navigate, and for public authorities to manage. It is noteworthy that countries with more complex and variegated schemes, such as Australia and Canada, accept this complexity as a price worth paying to ensure diverse needs and goals are met.

- **Sponsorship:** More flexibility for migrants – whether in terms of moving jobs and occupations, moving in and out of work, or internal mobility within the country – can create more challenges for a sponsorship-based system. One way of addressing this is to enlist closer cooperation of employers, as with the Atlantic Immigration Pilot ‘designated employer’ system.

- **Vulnerability:** Schemes that are not directly linked to employment can create greater risks for migrants, who may find themselves slipping into irregular status (as has occurred in Spain, for migrants who are temporarily out of work); or even into destitution, if they do not have recourse to public funds. The Swedish case is instructive here, as entrants may have gaps of up to 3 months between jobs; and they may access welfare support after 1 year. Schemes with more expansive rights from the outset can avoid this vulnerability, through offering longer-term residency and access to welfare and social support.

There may also be particular challenges associated with recruiting migrants into lower-skilled jobs. Such jobs are often (though not always) more vulnerable to changing economic cycles and higher risk of unemployment. This was a challenge in the case of the Spanish Catalogue, where the 2008 economic crisis triggered large-scale unemployment, including of recently arrived migrants. However, we should note that many high-skilled jobs are similarly vulnerable to economic cycles; and, conversely, many low-skilled jobs are not – for example many jobs in the public sector, health, or social care.

Finally, some sectors associated with lower-skilled work may be more prone to informal and precarious work, and thus exploitation by employers. For example, construction, hospitality and catering, agriculture, and domestic work have often been associated with informal work and non-compliance with labour standards.

For these reasons, immigration schemes accommodating lower-skilled occupations and encouraging longer-term settlement may need to build in additional measures to ensure compliance, especially on the part of employers; and to promote attractive and sustainable employment opportunities. Again, the Canadian Atlantic Immigration Pilot offers some useful lessons for working with employers to ensure the right conditions are in place.
References


56 The region also has the lowest retention rate of immigrants. However, it has been found that following an initial 'adjustment period' of 6 months during which migrants move more frequently, migrants in Atlantic Canada follow similar outmigration patterns to native-born Canadians in Atlantic Canada.


Immigration Policy and Demographic Change in Scotland: Learning from Australia, Canada and Continental Europe


