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THE CONTRIBUTION OF EEA CITIZENS TO SCOTLAND: THE SCOTTISH GOVERNMENT'S RESPONSE TO THE MIGRATION ADVISORY COMMITTEE CALL FOR EVIDENCE ON THE ROLE OF EEA WORKERS IN THE UK LABOUR MARKET

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MINISTERIAL FOREWORD

Scotland is an outward facing and diverse country. We are a country of migration, with a long history of welcoming the world to visit, live, work and invest in Scotland, and to build their lives here with their families.

Inward migration brings huge economic benefits to Scotland. Businesses and organisations big and small, and across the Scottish economy from agriculture, to financial services, to the public and third sectors have told us of the value that EEA workers bring and of their concern if they are no longer able to employ them. The data bears this out. Inward migration to Scotland also helps to address the demographical challenges of an ageing population, and to support rural communities. In contrast to the rest of the UK, all of Scotland's vital population growth over the next 10 years is projected to come from migration.

Migration, however, is about more than economics. It is about individuals and their families choosing to build their lives here in Scotland; it is about the contribution that they make to our culture, communities and society, as neighbours, friends and family members, as well as work colleagues. It is this contribution that will be lost if people from the EU are no longer able to come here.

Free movement has also enabled our own citizens to travel, work and live across the EU allowing them to gain valuable experience and expertise.

The Scottish Government believes fundamentally that continuing free movement of people is in the best interests of Scotland and the UK as a whole. We do not believe that a restrictive model which limits free movement is in Scotland's, or the UK's interests. Furthermore, for migration from outside the EU it is clear that a one-size fits all approach does not meet Scotland's needs. There is a clear case for a differentiated migration system that recognises the different needs across the UK. There is broad agreement across political parties in Scotland that there needs to be a different approach. In Westminster too, the All-Party Parliamentary Group on Social Integration argue that responsibility for immigration should be devolved, and the Scottish Affairs Committee have also underlined the need for tailored immigration policies.

As we committed to in our 2017-2018 Programme for Government, we will publish an evidence-based discussion paper that makes the case for extending the powers of the Scottish Parliament to enable our economy to be able to attract talent from across Europe and setting out how a more flexible approach to migration with more powers for the Scottish Parliament could operate.

Dr Alasdair Allan
Minister for International Development and Europe
October 2017

INTRODUCTION

Our position

Inward migration, including from across the European Union (EU), has made an overwhelmingly positive contribution to Scotland's economy and society. Migrants play a vital part in ensuring that we remain a diverse and outward-looking country that is open to the world. We welcome those coming to visit and those coming to work and settle here, to establish their lives and raise their families, and to contribute to Scotland.

EU migration to Scotland is essential for ensuring sustainable population growth, **which is the single biggest driver of our economic growth. All** of the projected increase in Scotland's population over the next 10 years is projected to come from migration (58% of net in-migration is projected to come from overseas and 42% from the rest of the UK). This contrasts to the UK as a whole, where 54% of population increase is expected to come from overseas migration, with the other 46% coming from positive natural change (more births than deaths) over the next 10 years. If net migration to the UK were to fall, Scotland's population growth could be disproportionately affected, as it relies solely on migration, with natural change (the number of births minus the number of deaths) projected to be negative each year going forward. By 2041 it is projected that there will be over 10,000 more deaths than births in Scotland.

EU migration supports Scotland's economy, ensuring the availability of a pool of labour, both now and in the future, to meet the needs of employers and businesses right across the Scottish economy and across all sectors, including those as diverse as agriculture and fisheries, tourism and culture, healthcare and education. It is important to note that this is within a wider context of low unemployment across Scotland and particularly in rural areas. Scotland's unemployment rate, at 4.5%, is lower than the UK average of 4.6%[1].

EU migration supports rural communities and jobs, bringing essential labour to rural industries and supporting public services including healthcare and schools.

The Scottish Government continues to believe that maintaining free movement of persons, as part of the single market, is in the best interests of the United Kingdom as a whole and of Scotland. The evidence that we provide, drawn from across the Scottish economy, supports this view. EU citizens make a vital contribution and their right to live, work, study and invest here must be protected. Freedom of movement is a flexible and responsive mechanism that allows the flow of labour to adapt easily to changes in demand for labour while minimising the burden on employers and individuals.

[1] Model-based estimates of unemployment, Office for National Statistics

With regards to migration from outside the EU, it has been clear for some time that the one-size-fits-all approach to immigration policy in the UK is no longer sustainable in the face of different economic and demographic needs across the UK. We welcome the recognition by the Migration Advisory Committee of the potential for regional variations in the migration system and note their view that this requires further analysis. The Scottish Government believes that a regional immigration model is not only workable, but essential to meet Scotland's needs. This reflects the commitment made by the Scottish Government in "A Nation with Ambition: The Government's Programme for Scotland 2017-2018"[2], to making the case for flexibilities within the immigration system to ensure that Scotland's needs can be met, including making better use of the shortage occupation list and reinstating a more accessible post-study work route.

About this paper

This paper sets out the Scottish Government's response to the call for evidence launched by the UK Migration Advisory Committee (MAC) on the economic and social impacts of the UK's exit from the European Union and on how the UK's immigration system should be aligned with a modern industrial strategy.

This paper follows the structure of that call for evidence, as set out below:

- **Chapter one** provides an overview of the trends in migration from the rest of the EU to Scotland, the profile of EU migrants working in Scotland and the critical role that EU migration plays in meeting Scotland's current and future demographic needs.
- **Chapter two** provides evidence on the contribution of EU workers to addressing recruitment, training and skills needs across the Scottish economy, highlighting key sectors: tourism and hospitality; cultural and creative industries; the digital and technology sector; financial services; manufacturing, distribution and construction and the third sector. It also provides evidence on the significant contribution made by EU workers to Scotland's public services, particularly health, social care and education.
- **Chapter three** addresses the economic, social and fiscal impacts of EU migration on Scotland. It highlights the vital role of EU migration in supporting Scotland's rural economy and communities, including some of the most remote and fragile communities in the UK.

The analytical annex which accompanies this paper follows the same structure, and provides a fuller account of the evidence, drawing on the most robust and reliable data available. It is important to note the underlying characteristics in the available evidence base, and how essential it is to pay close attention to definitions and classifications used across various data collections. We anticipate that work will be

[2] "*A Nation with Ambition: The Government's Programme for Scotland 2017-2018",* available at http://www.gov.scot/Resource/0052/00524214.pdf

required to enhance the precision of data, using key classifications (for example between 'citizens' and 'nationals'), in order to allow Governments and delivery agencies to assess current entitlements and contributions, anticipate impacts and plan policy adjustments.

The evidence presented in this paper clearly shows the impact of migration on the Scottish economy and society. Stimulating population growth is a key driver of sustainable economic growth and 100% of Scotland's population growth is projected to come from migration. Changes in migration policy therefore have the potential to significantly impact on key Scottish economic sectors and indeed on wider economic prospects. Policy therefore needs to take account of existing evidence, and be monitored and evaluated. This paper and the accompanying annex set out that clear evidence base.

CHAPTER ONE: MIGRATION TRENDS

Following the structure of the MAC's call for evidence, this chapter sets out the trends in EU migration to Scotland and the characteristics of EU citizens residing in Scotland, including their country of birth, age and skill level.

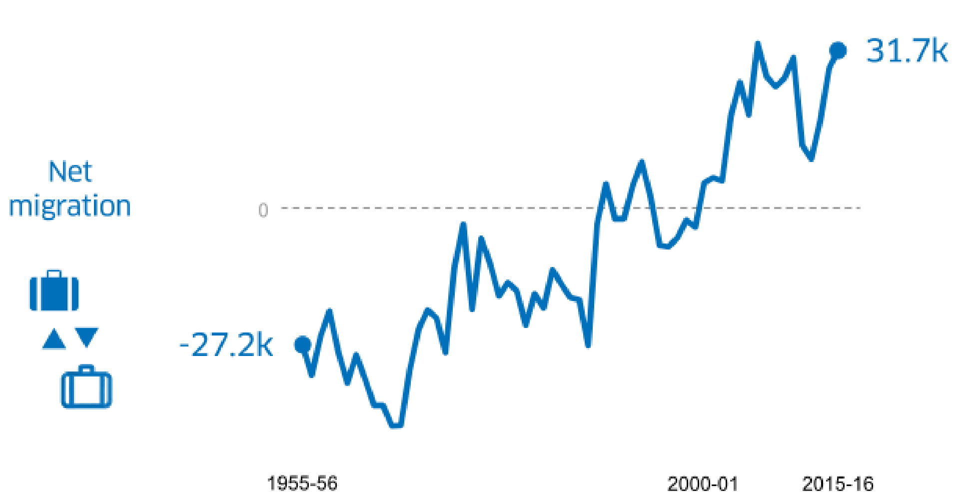
It demonstrates the vital importance of migration in supporting population growth and therefore economic growth across Scotland. As the evidence shows, migration is essential in ensuring that we have the available workforce that our economy needs, ensuring that businesses right across the country are able to recruit workers. Migration is also crucial in helping to support our ageing population and the needs of remote, rural and coastal communities.

It is therefore essential that the UK as a whole, and Scotland, are able to continue to benefit from the continued flow of working-age EU migrants that results from the free movement of persons. As the data below shows, the overwhelming majority of EU citizens moving to Scotland are of working age (between 16 and 64 years old). A larger proportion are under 35 years old, compared to the Scottish population as a whole and more than half were in the prime working age category (25-49 years old).

Migration trends

Historically, Scotland has been a country of net out-migration, with more people leaving to live elsewhere than moving to live in Scotland. However, since the 1960s net out-migration has greatly reduced, and from 1990 onwards that trend has reversed. Since 2001, Scotland has been in a period of net in-migration, driven by the growth in numbers of EU citizens coming to live and work in Scotland. In the year to mid-2016, 31,700 more people came to Scotland than left, helping to increase Scotland's population. This was made up a net gain of 22,900 people from overseas and 8,800 people from the rest of the UK.

Net migration
Scotland, 1955-2016

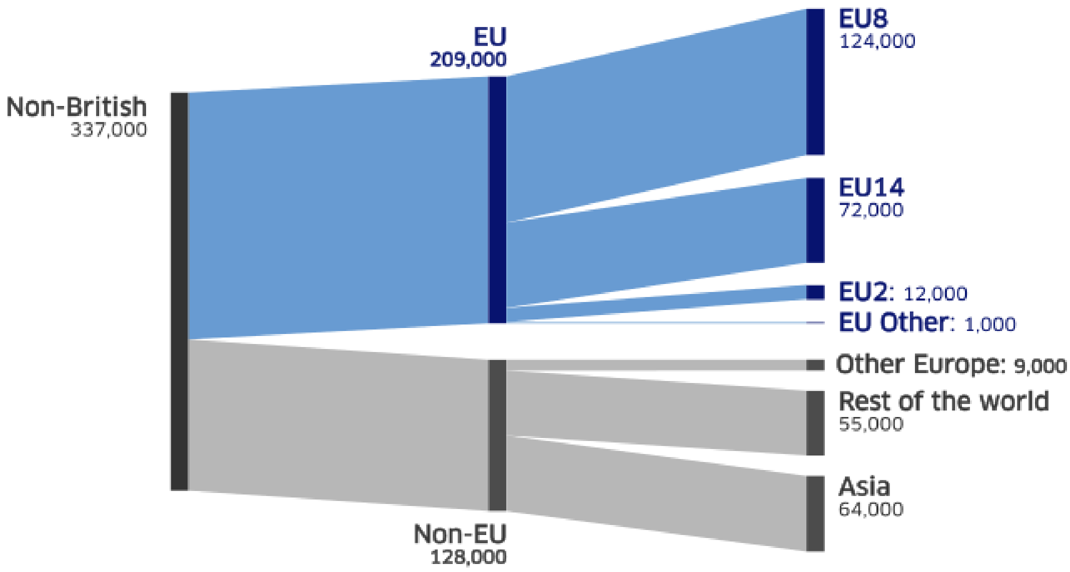


Source: Mid-year Population Estimates
National Records of Scotland

Characteristics of EU citizens in Scotland

In 2016 there were approximately 209,000 EU citizens living in Scotland, around two thirds of all non-UK nationals residing in Scotland (a total of 337,000). EU citizens account for 3.9% of the total population living in Scotland and non-EU nationals account for a further 2.4%. The majority of EU citizens residing in Scotland are from the so-called 'EU8' countries who joined the EU in 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia), representing 59.3% of the total number of EU citizens living in Scotland. A further estimated 22,000 EU citizens report their nationality as Irish Republic (10.5% of the total number of EU citizens living in Scotland).

Population by non-UK nationality
Scotland, 2016



Source: Annual Population Survey
Office for National Statistics

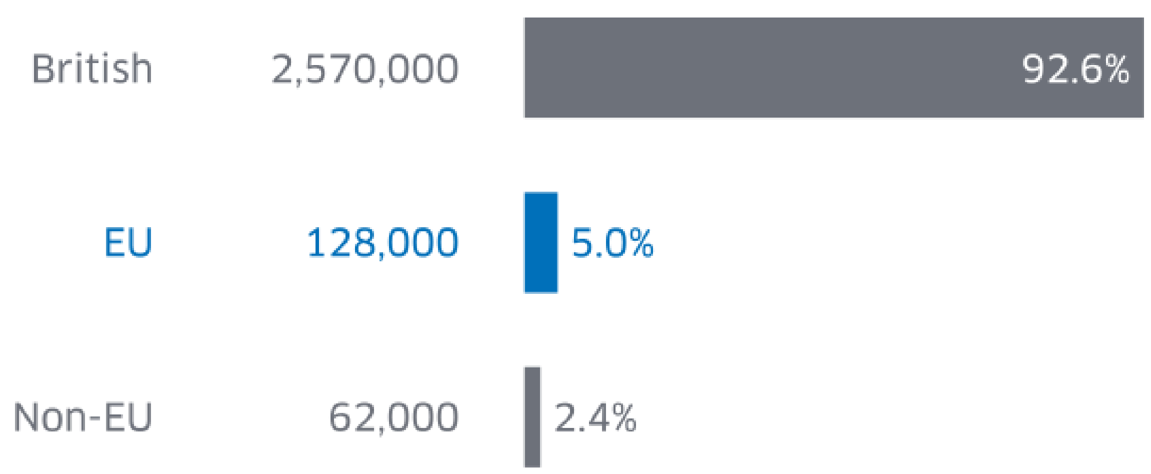
The vast majority of migrants moving to Scotland - 84% - are of working age. EU citizens in particular have a younger age profile than non-EU nationals and the Scottish population as a whole. A larger proportion (61.1%) of EU citizens residing in Scotland were under 35 years of age, compared with 54.3% of non-EU nationals and 41.5% for Scotland as a whole.

128,000 EU citizens aged 16 and over were in employment, making up 5.0% of total employment in Scotland. The employment rate for EU citizens was 76.8% - higher than the overall rate for Scotland. For those from EU8 countries the employment rate was even higher, at 82.4% compared with 70.7% for the older EU member states (the so-called 'EU14') and 73.3% for UK citizens. Around two-thirds of all EU citizens in employment in Scotland work in three industry sectors: distribution, hotels and restaurants (26.3%); public administration, education and health (20.6%); and banking, finance and insurance (19.5%).

In terms of education and skills, over a third (36.7%) of EU citizens of working age in Scotland have a degree level qualification or higher, compared to just over a quarter (27.6%) of UK nationals who have degree or higher qualifications.

Evidence suggestions that a large number of EU citizens working in Scotland are working in jobs below the level that their education and qualifications may suggest. Nearly a third (31.7%) of EU citizens in employment who had degree qualifications worked in medium-low or low skill level occupations. In contrast, only 18.8% of UK nationals with a degree qualification in employment were working in medium-low or low skill level occupations[3].

People aged 16 and over in employment
Scotland, 2016



Source: Annual Population Survey
Office for National Statistics

Addressing Scotland's demographic needs

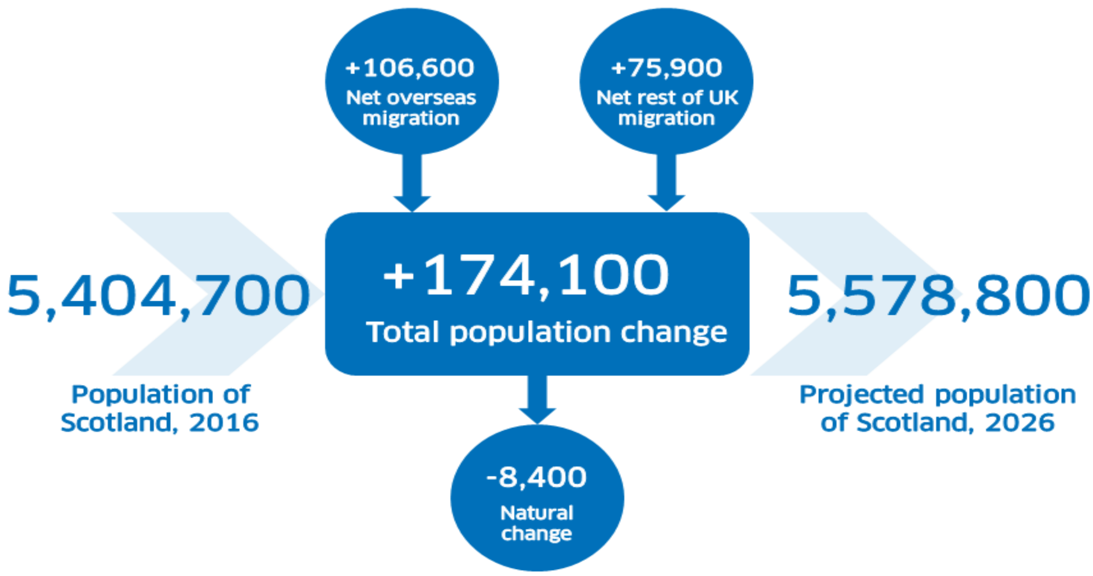
Scotland's estimated population was 5,404,700 in mid-2016, the highest ever on record, and an increase of 31,700 (0.6%) since mid-2015 and 6.7% since 2001. Net migration has contributed to population increase every year for the last 16 years. In contrast, the rate of natural change (births minus deaths) has remained low for the past 50 years, and over the past 2 years has been negative (more deaths than

[3] All figures from *Migrants living and working in Scotland*, based on the Annual Population Survey 2016 (January-December 2016) Scottish Government (2017) *Growth Sector Statistics Database*: http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors/Database

births). This contrasts with the situation in the UK, where natural change contributes significantly more to population increase (36% of the total increase over the latest year in the UK). Migration has, therefore, been critical to growing Scotland's population and any reduction in migration has the potential to seriously damage Scotland's demographic resilience.

Looking ahead, Scotland's population is projected to increase by 5% by 2041, driven solely by migration. Scotland has a markedly different demographic profile from the rest of the UK. Whereas in the UK as a whole, population growth is projected to be driven by both migration and natural change, **in Scotland population growth is projected to be driven entirely by migration**. If current trends continue, net inward migration is projected to be the **sole contributor to Scotland's population growth; all of our population increase over the next 10 years is projected to come from migration** (58% from net international migration and 42% from net migration from the rest of the UK), whereas in the UK as a whole the population is projected to increase due to gains from both net migration (54%) and natural change (46%).

Components of population projection change
Scotland, 2016 and 2041



Source: National Population Projections (2016-based)
National Records of Scotland

Scotland's population is ageing, similar to the rest of the UK. **The number of older people in Scotland is projected to increase significantly**, with the population aged 75 and over projected to increase by 79% by 2041. Scotland's median age is currently almost two years higher than the UK. Scotland's median age is projected to rise from 41.9 years in 2016 to 45.4 years by 2041 compared with

40.0 years to 43.5 years for the UK as a whole. The ageing population has the dual effect with respect to public services of increasing pressures on health and social care, while reducing the available workforce in these sectors. **Given these demographic challenges, inward migration can play an important role in helping tackle our ageing population, helping Scotland maintain a healthy working age population, support the growing number of older people and boost population growth**.

Stimulating population growth is a key driver in Scotland's sustainable economic growth, increasing the size of the labour force, economic output and demand for goods and services, creating business and employment opportunities. This is particularly important for supporting the population and viability of businesses in our many rural and coastal communities, to ensure that local industries have access to a labour force that allows businesses to compete and grow.

Whilst Scotland's population is projected to grow by 5% between 2016 and 2041, any **reduction in EU migration could have a serious effect on Scotland's population growth and its demographic composition**. For example, in an illustrative scenario where EU migration to Scotland falls to half of current levels, population growth would be 4% over the same period and with no EU migration, population growth would be just 2%. The projected age structure could also change dramatically. The working age population is currently projected to increase by 1% over the next 25 years to 2041 but in a scenario of zero EU migration, the working age population is projected to decline by 3% over the same period. For children (aged under 16 years), the population is projected to decrease by 2% between 2016 and 2041 based on the principal projection but in a scenario of zero EU migration, the population of children is projected to decline by 7% over the same period. This is because migrants tend to be younger than the rest of the population and therefore can play an important role in boosting the population of children and working age people in Scotland. This can also have the effect of supporting the sustainability of rural services and schools.

Migration is therefore absolutely fundamental in ensuring Scotland's population growth. Stimulating population growth is a key driver in Scotland's sustainable economic growth, increasing the size of the labour force, economic output and demand for goods and services, creating business and employment opportunities. This is particularly important for supporting the population and viability of businesses in our many rural and coastal communities, to ensure that local industries have access to a labour force that allows businesses to compete and grow. **It is impossible to overstate the critical role of migration in Scotland's future growth and prosperity.**

CHAPTER TWO: RECRUITMENT, TRAINING AND SKILLS. EU WORKERS IN SCOTLAND'S KEY SECTORS

EU citizens are making a vital contribution to Scotland's economy. They are driving our population growth and ensuring that we have workers to meet the needs of businesses and the public sector. The vast majority of EU citizens in Scotland are of working age (84%), and over three-quarters (76.8%) are in employment[4]. Many are also highly educated – more than a third (36.7%) have a degree level qualification, compared to 27.6% of UK citizens in Scotland[5].

Ensuring ongoing access to labour from across the EU under the free movement of persons rules is of fundamental concern to many businesses across the Scottish economy, as highlighted in our paper "Brexit: What's at Stake for Businesses"[6]. Businesses have repeatedly told us how they worry that any restriction on the free movement of EU labour could negatively affect their businesses, especially if it were to involve new administrative or bureaucratic requirements that would impose financial and/or other costs. For many smaller businesses, in particular, such restrictions make the recruitment of essential staff impossible.

Many businesses, including in agriculture and horticulture, have also expressed concerns about the impact that the negative rhetoric against migration is having on individuals already in Scotland, or those who may be considering coming here – a concern that is shared by the Scottish Government. We know anecdotally that many businesses who rely on seasonal workers, for example, are finding it harder to recruit workers since the referendum.

In line with the structure of the MAC's call for evidence, the evidence provided below, and in the analytical annex, highlights the impact of workers from other EU countries in specific sectors of the Scottish economy. However, the issues highlighted in these sectors are replicated across the Scottish economy, including in both low-skilled seasonal roles in agriculture and highly skilled, and highly mobile industries such as financial services. There are some sectors where there is more available evidence about the role of EU citizens than others. There are also sectors where analysis is underway, for example to ascertain the contribution of seasonal agricultural workers, and to better understand the role that EU workers play in the social care sector, in order to improve the evidence base. However, the messages about the importance of EU citizens and their crucial role in the economy are relevant across every sector.

According to the 2016 Annual Population Survey, around two-thirds of all EU citizens in employment in Scotland work in three industry sectors: distribution, hotels and

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[4] Annual Population Survey, 2016
[5] Annual Population Survey, 2016
[6] *"Brexit:What's at Stake for Businesses"* available at http://www.gov.scot/Resource/0052/00525848.pdf

restaurants (26.3%); public administration, education and health (20.6%); and banking, finance and insurance (19.5%).

The analytical annex provides more data on the role of EU citizens in different sectors and occupations, and should be read in conjunction with this chapter.

In the evidence provided below, we have drawn out some more detailed evidence on the contribution of EU citizens to certain important sectors, but the messages that the evidence illustrates are generalisable across the economy. Those are, that workers from other EU countries make a vital contribution to the Scottish economy and the continued availability of such workers is vital to employers in all sectors, right across Scotland. Employers value the ability to recruit the right workers, with the right skills and experience easily and under the same rules as they recruit UK workers. They are deeply concerned that ending the free movement of persons would limit or curtail the supply of the workers they need, make the process of recruitment too burdensome or complicated (especially for smaller businesses), or mean that EU workers no longer saw the UK as a desirable destination.

The sectors highlighted below are tourism and hospitality; cultural and creative industries; digital and technology companies; financial services; manufacturing, distribution and construction; and the third sector. The evidence also highlights the role played by EU citizens in sectors vital to the rural economy, namely agriculture, fisheries and agricultural processing; and in the public sector, especially health, social care and education.

Tourism and hospitality sector

Scotland's tourism industry is a key economic sector. Tourism delivers employment and enables economic development in some of our most remote locations sustaining often fragile communities. Around 207,000 staff are employed in the tourism industry right across Scotland, in 14,000 registered enterprises (accounting for around 8.0% of employment in Scotland). It generates around £4 billion in Gross Value Added (GVA – the measure of the value of goods and services produced) and has experienced year-on-year growth in GVA and turnover in every year since 2011[7]. The tourism and hospitality sector also directly influences Scotland's international profile and premium market image and provides major support to other key sectors such as food and drink, retail, transport and construction.

The tourism sector is characterised by small and medium-sized enterprise (SME) employers (businesses with 1 - 249 employees). In 2016, SME employers accounted for 67% of tourism sector employment – this compares to 46% across the Scottish economy as a whole. The sector also has high levels of part-time working,

[7] http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors/Database

with 52% of employees in the sector working part-time, compared to 33% in the Scottish economy as a whole [8].

Scotland's tourism and hospitality is spread throughout Scotland. Around a fifth of those employed in the sector work in rural areas. Transport (especially public transport) at the times needed to service the tourism and hospitality industry is challenging in remote and rural areas and there is a general shortage of suitable housing for staff, especially during high season, making it difficult to recruit and retain staff. A British Hospitality Association survey found that 60% of its members cited a lack of applications from UK citizens or a lack of interest by the local population as a reason for the number of EU citizens employed in the sector. Migrant workers are already, by definition, mobile for economic purposes. Furthermore, industry have reported a large number of vacancies across the tourism sector with many roles currently filled by workers from EU countries and further afield.

Due to the existing challenges in recruiting to the sector, combined with the sector's high reliance on an EU workforce, the British Hospitality Association and KPMG report that the hospitality sector will be more heavily hit than any other sector by any restrictions to the availability of EU citizens.

Furthermore, many jobs in the sector could be characterised as low-skilled, or requiring fewer qualifications and would be particularly negatively affected by restrictions on low-skilled migration.

Contribution of the EU workers

The tourism sector is heavily and increasingly dependent on workers from other EU countries. In 2016, according to the Annual Population Survey (APS, there were approximately 17,000 EU citizens working in tourism in Scotland – representing 9.4% of all those working in the sector overall, with this share rising to 15.3% for the accommodation sector specifically. This compares to an EU citizens' employment share of 5.0% in the Scottish economy as a whole[9].

In fact, numbers of EU citizens working in this sector may be significantly higher, as the APS does not capture data for people living in communal establishments like hotels, boarding houses, hostels and mobile homes. We know, anecdotally, that a substantial number of tourism and hospitality staff live in exactly that type of set up: either staff quarters or in rooms 'behind the shop'. There is therefore likely to be some under-reporting – and the issue is more acute the more remote the business.

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[8] Business Register and Employment Survey 2016, Office for National Statistics

[9] Annual Population Survey January to December 2016, ONS Industry definition of Tourism is based on SIC 2007 as set out in the Scottish Government Growth Sector database http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors

Between 2011 and 2015, the share of EU citizens working in the 'accommodation and food service activities' sector in Scotland rose from 7.2% to 11.0%.[10]

Skill levels of EU workers

It is difficult to directly measure the skills of the workforce across the tourism sector, and so qualifications are frequently used as a proxy for skills. The tourism sector has a relatively low qualifications profile, compared to other sectors[11]. The number of jobs requiring no or low levels of qualifications is, however, projected to decline and the proportion of jobs requiring high-level qualifications is projected to increase. The share of jobs in the accommodation and food sector that require individuals qualified to at least Level 7 in the Scottish Credit and Qualifications Framework (e.g. in customer facing and junior management roles such as travel consultants, operations managers, and deputy hotel managers) is expected to increase from 29% in 2012 to 45% in 2022. At the same time, the share of jobs held by people with lower qualifications is projected to decline[12].

However, there will continue to be job opportunities in the sector for those with low or no qualifications. The industry argues, that it is a sector based on people skills and individual drive and favours people working their way up from the traditional entry level positions[13]. Workers from other EU countries also bring other skills that are valuable to the industry, notably language skills.

Any restrictions on low-skilled migration would, therefore, have a very significant impact across the sector, reducing the pool of available labour and leading to significant shortages.

Recruitment gaps

The tourism and hospitality sector already faces a challenge in recruiting enough workers to meet its needs, even within the framework of free movement of persons. Existing vacancies in the hospitality sector are already proving hard to fill despite existing initiatives in place to attract workers.

The industry-led national tourism strategy, "Tourism Scotland 2020" (TS2020) was first published in June 2012 and a refreshed version published in March 2016[14]. It set out a collective ambition of private and public partners for Scotland to be a destination of first choice for a high quality, value for money and memorable

[10] Annual Population Survey 2011 and 2016 (January to December in each year), Office for National Statistics, SIC 2007 55 Accommodation, 56 Food and beverage services activities

[11] Skills Development Scotland (2016) *Skills Investment Plan for Scotland's Sector*: http://www.skillsdevelopmentscotland.co.uk/media/42345/tourism-digital-skills-investment-plan.pdf

[12] Skills Development Scotland (2016) *Skills Investment Plan for Scotland's Sector*: http://www.skillsdevelopmentscotland.co.uk/media/42345/tourism-digital-skills-investment-plan.pdf

[13] Skills Development Scotland (2016) *Skills Investment Plan for Scotland's Sector*: http://www.skillsdevelopmentscotland.co.uk/media/42345/tourism-digital-skills-investment-plan.pdf

[14] Available at the Scottish Tourism Alliance website: http://scottishtourismalliance.co.uk/page/national-strategy/

customer experience, delivered by skilled and passionate people. The shared ambition was to grow visitor spend by £1 billion to 2020. The Tourism Skills Investment Plan (SIP) is a key component of TS2020. It highlights skills issues, and shortages in some key roles, facing the tourism sector across the board and will focus on the delivery of 4 strategic skills priorities: improving management, leadership and enterprise skills across the sector; supporting the development of professional and digital skills for all in the sector; ensuring staff at all levels understand and are able to respond to visitor needs and expectations; and raising the attractiveness of the sector.

Analysis of the 2015 UK Employer Skills Survey has found that employers in the Scottish 'hotels and restaurants' sector are experiencing a range of vacancies, skills shortages and gaps, specifically:

- In 2015, 27% of employers had at least one unfilled vacancy within the last 12 months, which was an increase on 2013 when the rate was 19%;
- Of the 9,683 vacancies reported in the hotels and restaurants sector in 2015, 3,558 (36.7%) were considered hard-to-fill. This is a higher share than in the hotels and restaurants sector in the UK as a whole (32.6%). Only the business services sector reported a higher number of hard-to-fill vacancies in Scotland (5,108);
- 22% of vacancies in the hotels and restaurants sector are 'skills-shortage vacancies' (meaning there are insufficient candidates with the required skills). This is slightly below the rate for all industries which is 24%. 60.2% of hard-to-fill vacancies in hotels and restaurants were due to skills shortages, compared to 72% across all sectors;
- 17% of employers reported skills gaps in 2015 (meaning that at least some of their staff are not fully proficient), however this figure has decreased since 2013 when it was 24%.
- 41% of employers reported that they had staff who were working in roles for which they have excess qualifications and skills. This is well above the rate for all industries which is 31%.

These gaps and challenges would significantly worsen if it was more difficult for employers to hire workers from other EU countries to work in the tourism and hospitality sector, restricting the growth of the sector and its contribution to Scotland's economy. Any restrictions on low-skilled and unskilled work would have a particularly detrimental effect, given the numbers of entry-level roles in the sector that require few or no formal qualifications.

Cultural and creative industries

Scotland's creative industries are a major economic contributor and help shape our cultural identity and international reputation.

They include industries with their origin in individual creativity, skill and talent, as well as those with the potential to create wealth and jobs through the development, production or exploitation of intellectual property. The sector in Scotland is generally regarded as being made up of 16 industries - advertising, architecture, visual art, crafts & antiques, fashion & textiles, design, performing arts, music, photography, film & video, computer games, radio & TV, writing & publishing, libraries & archives, software/electronic publishing and cultural education.

It is estimated that the creative industries in Scotland contributed £4.6 billion in Gross Value Added in 2015. In 2016 over 83,000 people were employed across the sector, a 15% increase on 2015 and a 31% increase since 2011[15]. Whilst the majority of jobs are concentrated in Glasgow, Edinburgh and Aberdeen, Dundee and East Dunbartonshire also have higher than average share of sectoral jobs.

The sector is dominated by small enterprises with 59% of the 15,420 registered enterprises having zero employees (i.e. operating as sole traders) and 88% in total have fewer than five employees[16].

Workers from other countries make a significant economic contribution to the sector. Artists from overseas contribute to our unique culture and world leading festivals, allowing Scottish cultural organisations, our screen sector and our creative industries to recruit the best talent from as wide a pool as possible. At the same time free movement of persons allows Scottish artists and cultural practitioners to take their work to audiences throughout the EU, exporting our culture and supporting domestic industry through touring and working in other parts of the world, and making it easier for such work to come to Scotland.

The culture and creative sectors are highly international in their outlook. Cross-border collaboration between artists and other creative professionals is fundamental to the free flow of creative and cultural ideas and expression and, ultimately, the continued development of the sector. The international nature of the sector is demonstrated in the high proportions of non-UK nationals across many sub-sectors. An immigration system that made transnational cultural collaboration and exchange more difficult could threaten the strength of the Scottish cultural sector as a whole and reduce its level of innovation.

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[15] Scottish Government Growth Sector Statistics
http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors/Database

[16] Scottish Government Growth Sector Statistics
http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors/Database

Contribution of EU workers
There are 11,000 EU citizens working across Scotland's creative industries[17].

They comprise a large number of performers within Scotland's national performing companies - as high as 35% of the performers employed permanently by Scottish Ballet and 21% of the Scottish Chamber Orchestra. The highly specialised and expert nature of the roles and the skills required of each individual contributes significantly to each companies' high international standing. Careers in these sectors of the performing arts are highly international and artists have a significant degree of mobility. Portfolio careers are common and can involve working for a variety of companies in different countries. Similarly, National Galleries of Scotland report that 15% of their staff (55 of 360) and 27% of their volunteers (50 individuals, including students on Erasmus placements) come from other EU countries and National Museums Scotland report that around 11% of their staff come from other EU countries.

Skills needs
The potential impact of Brexit on skills needs for the creative industries was set out in the Creative Industries Federation's Brexit Report from October 2016[18]. There are long-standing skills shortages within the creative industries that workers from other EU countries currently help to address. The Shortage Occupation List within Tier 2 of the UK 'Points-Based' immigration system includes 17 creative industries occupations, demonstrating that, even with freedom of movement within the EU, there are already significant skills shortages.

Research by Creative Skillset in the "Employer Skills Survey, 2010"[19] found that 31% of creative industries companies in Scotland reported skills shortages within their workforce (higher than the UK figure of 28%). In certain sub-sectors figures were significantly higher than that average: in sales and marketing shortages were as high as 61%, and in software applications 46%. Creative Skillset's 2014 Workforce Survey found that 51% of Scottish creative industries companies who responded reported learning and skills needs compared to 47% at a UK level[20]. The size of skills shortages in the creative industries are slightly higher in Scotland therefore than the rest of the UK. These skills shortages have a number of negative impacts on the business of companies in the creative industries such as having to turn down business or slow company growth.

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[17] Annual Population Survey 2016, (January to December) Office for National Statistics
[18] Creative Industries Federation (2016), *Brexit Report. The impact of leaving the EU on the UK's arts, creative industries and cultural education – and what should be done*, pp. 13-25: https://www.creativeindustriesfederation.com/sites/default/files/2017-05/Brexit%20Report%20web.pdf,
[19] Employer Skills Survey 2010, available at https://creativeskillset.org/assets/0000/6002/Skillset_Employer_Survey_2010.pdf
[20] The Creative Skillset (2014) *The creative Media Workforce Survey 2014*, pp. 22: https://creativeskillset.org/assets/0001/0465/Creative_Skillset_Creative_Media_Workforce_Survey_2014.pdf

Freelancers are of particular importance within the creative industries due to a range of factors including the time-limited nature of performance runs, productions and exhibitions; travel requirements for international touring and the high levels of innovation in the sector, which require people with specialist skills and the organisations who employ them to have high levels of international mobility. Yet freelancers from outside of the EU often cannot access Tier 2 visas, since, by the very nature of their employment, they lack a sponsor to support their application. Free movement of people is therefore an important route into the UK for the skills that freelancers bring – 6.2% of freelancers in the UK's creative industries are EU citizens[21].

There are currently efforts ongoing to address the existing skills shortages and gaps within the creative industries in Scotland. Skills Development Scotland worked with industry to publish a "Creative Industries Skills Investment Plan" in June 2015[22]. This work sets out a number of actions to address existing skills needs. It estimates that each year between 2015 and 2025, the creative industries would need an additional 4,300 individuals entering their workforce to support growth[23]. Given existing shortages, and the current significant proportion of EU citizens filling key roles in the sector, any restriction on the ability of EU citizens to work in the UK could have a significant negative impact on the availability of skilled workers.

The key driver of growth in the creative industries has been digital. Sub-sectors of the creative industries with a particularly strong digital focus are amongst those employing the highest proportions of workers from other EU countries and many also have the highest proportion of skills shortages and gaps, such as in the games and software industries, for example. Skills Development Scotland have developed a separate Skills Investment Plan for the digital sector[24] which sets out actions to address skills needs in support of that sector's continued development.

With respect to students studying courses related to the creative industries, EU citizens account for a particularly high proportion of student numbers. Glasgow

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[21] Department for Culture, Media and Sport (DCMS) (2016) *DCMS Sectors Economic Estimates: Employment Update*, pp. 9: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546262/DCMS_Sectors_Economic_Estimates_-_Employment.pdf

[22] Skills Development Scotland (2015) *Skills Investment Plan for Scotland's Creative Industries Sector*, available at: https://www.skillsdevelopmentscotland.co.uk/media/35670/creative_sip_digital_v4.pdf

[23] Skills Development Scotland (2015) *Skills Investment Plan for Scotland's Creative Industries Sector*, pp. 10: https://www.skillsdevelopmentscotland.co.uk/media/35670/creative_sip_digital_v4.pdf

[24] Skills Development Scotland (2014) *Skills Investment Plan for Scotland's ICT & Digital Technologies sector*: http://www.skillsdevelopmentscotland.co.uk/media/35682/ict___digital_technologies_sector_skills_investment_plan.pdf

School of Art, for example, has around 16% of its student body made up of students from other EU countries[25].

Skills Development Scotland note that overall, while higher and further education courses related to the creative industries were popular, there had been a decrease in Scottish students studying related subjects in Scottish colleges and a smaller decrease in universities. By contrast, the numbers of those pursuing modern apprenticeships in the creative industries has increased[26]. The routes for bringing more people, including more UK-born people, into the sector, and ensuring that they have the skills needed for success, is therefore mixed.

The National Performing Companies have suggested that Brexit could also have an impact on the career pathways from training into professional performance that currently exist. Students who train at the Royal Conservatoire of Scotland (RCS), for example, will often pursue a portfolio career working with both Scottish companies and companies from other countries. Similarly, international students at the RCS will develop connections in Scotland that support the rest of their careers. These international connections support the health of the Scottish cultural sector as a whole. Post-Brexit changes to the immigration system could reduce the range of career pathways open to students in creative education in Scotland, potentially reducing the attractiveness of the sector as a whole.

The introduction of specific salary requirements would be likely to have a significantly detrimental effect on this sector, creating a barrier against recruitment from other countries and potentially excluding many highly-skilled professionals from the cultural and creative industries[27], given relatively low salary levels in the sector.

Digital and technology

Scotland is home to a vibrant digital technologies industry with over one thousand companies engaged in a variety of activities from software development and IT services to digital agencies, games development and telecommunications. The digital technologies sector contributes significantly to employment and economic growth in Scotland. It is estimated that the sector contributed £5.1 billion in Gross Value Added to the Scottish economy in 2015[28] .

Many of Scotland's digital technologies companies employ staff from other EU countries, some businesses are owned by EU citizens and EU students studying at

[25] Creative Industries Federation (2016) *Brexit Report. The impact of leaving the EU on the UK's arts, creative industries and cultural education – and what should be done*, pp. 18: https://www.creativeindustriesfederation.com/sites/default/files/2017-05/Brexit%20Report%20web.pdf,
[26] Skills Development Scotland (2015) *Skills Investment Plan for Scotland's Creative Industries Sector*, pp. 15: https://www.skillsdevelopmentscotland.co.uk/media/35670/creative_sip_digital_v4.pdf
[27] Creative Industries Federation (2016) *Brexit Report. The impact of leaving the EU on the UK's arts, creative industries and cultural education – and what should be done*, pp. 21: https://www.creativeindustriesfederation.com/sites/default/files/2017-05/Brexit%20Report%20web.pdf,
[28] Scottish Annual Business Statistics 2015 http://www.gov.scot/Topics/Statistics/Browse/Business/SABS/Sectors/ICT

Scottish universities are an important source of talent for the industry. Scotland's computer programming and consultancy businesses alone employed 3,000 EU citizens in 2016, which represents 5.8% of all employees in this sub-sector[29].

In a survey carried out by ScotlandIS, the trade association for the digital technology industries including software, digital agencies, telecoms and IT services in Scotland, 75% of respondents said they expected a negative, or very negative, impact on their access to skilled staff following Brexit[30].

The shortage of skills required to meet the demand for digital roles is restricting growth within the digital sector and the wider economy. In 2014, there were 35 vacancies per 1,000 jobs in the digital sector and creative industry compared to 24 per 1,000 jobs across the economy as a whole, according to a UK study[31].

The Digital Economy Business Survey shows that only 37% of firms in Scotland were fully equipped in terms of having the skills to meet their digital technology needs[32]. According to a report by Ekosgen, 37% of businesses surveyed in Scotland had recruited Digital Technologies skills internationally, with 68% of those reporting Europe to be the top origin of recruits. Over half of those recruiting internationally report doing so to address a specific specialist skill or experience requirement[33].

A more restrictive immigration system would increase the difficulty in recruiting skilled staff in the sector, further restricting potential for growth.

Manufacturing and construction

Scotland has a long and proud manufacturing heritage and manufacturing is seen as a key driver of our future prosperity. Manufacturing covers a diverse range of activities from engineering to textiles and represents over 50% of our international exports. The sector's international exports increased by 6.1% over the period 2014-2015, from £14.2 to £15.1 billion. Exports to the rest of the UK increased by 1.4% over the same period, from £11.1 billion to £11.3 billion[34]. The sector also accounted

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[29] Annual Population Survey 2016, (January to December) ONS

[30] ScotlandIS (2017) *Scottish Technology Industry Survey 2017*: https://www.scotlandis.com/resources/scottish-technology-industry-survey/

[31] UK Commission for Employment and Skills (UKCES) (2015) *Sector Insights: Skills and Performance Challenges in the Digital and Creative Sector*, Evidence Report 92: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/433755/Skills_challenges_in_the_digital_and_creative_sector.pdf

[32] Scottish Government (2015*) Digital Economy Business Survey 2014*: http://www.gov.scot/Topics/Economy/digital/digitaleconomy/businesssurvey-2014

[33] Ekosgen (2017) *Scotland's Digital Technologies: Research & Analysis Report*: http://www.ekosgen.co.uk/docs/093_028__scotlandsdigitaltechnologiesresearchandanalysisreport_1500653090.pdf

[34] Export Statistics Scotland 2015

for 59% of business expenditure on research and development in 2015 (£514 million)[35].

While manufacturing has undergone a significant transformation in recent decades, with increased globalisation and greater use of digital technology, it remains a high skills and high wage sector, with earnings that are above the Scottish average. The sector employed 180,000 people in 2016, accounting for 7.0 per cent of total employment in Scotland[36] and contributed £13.2 billion in Gross Value Added to Scotland's economy in 2016[37].

In 2016, 8.2% of employment in the manufacturing sector was made up of workers from other EU countries. The industry employed 16,300 EU citizens, accounting for 12.8% of all EU citizens employed in Scotland. Many workers from other EU countries in the manufacturing sector are employed in the 'manufacture of food products' industry: 25.2% of employment in that industry is made up of workers from other EU countries, employing 6,000 EU workers, accounting for 5.0% of all EU workers in employment in Scotland.

The construction industry is a core sector of the Scottish economy, providing infrastructure to businesses across all sectors of the economy. It makes a major contribution to the economy, employing 141,000 in 2016[38] and contributing £9.2 billion in GVA to the Scottish economy in 2016[39].

In 2016, 3.9% of workers in the construction sector came from other EU countries. Around 5,000 EU citizens worked in the sector, accounting for around 3.9% of all EU citizens in employment in Scotland. In 2016, 3.4% of workers in Construction Trade occupations came from other EU countries. Around 3,000 EU citizens worked in these types of occupation, accounting for around 2.6% of all EU citizens in employment in Scotland[40].

Financial services

Scotland is internationally recognised as the most important UK financial centre outside London and the South East, with a breadth of services including global custody, asset servicing, banking, investment management, corporate finance, general/life assurance and pensions. Financial services remains a vital contributor to the overall success of the economy of Scotland as a whole. This is due not only to its importance in terms of employment and direct contribution to output, but also because of the impact the financial sector has on economic growth.

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[35] Business Enterprise Research and Development Scotland 2015
[36] Business Register and Employment Survey 2016
[37] Quarterly National Accounts Scotland, 2017 Quarter 1
[38] Business Register and Employment Survey 2016
[39] Quarterly National Accounts Scotland, 2017 Quarter 1
[40] Annual Population Survey 2016 (January to December), Office for National Statistics

Scotland’s Financial Services industry contributed 6.5% of Scotland’s Gross Value Added in 2015[41]. Out of the 11 UK regions and nations, Scotland ranked second on this measure in 2015. It employed 86,000 people in 2016[42] with a further 100,000 employed indirectly.

In 2016 (according to APS figures), 6.0% of employment in the Banking, Finance and Insurance sector was made up of workers from other EU countries. The sector employed 24,800 EU citizens, accounting for 19.5% of all EU citizens in employment in Scotland[43].

The “Financial Services Skills Investment Plan”[44] notes that employment in the financial services sector in Scotland is expected to grow in the period to 2022. Driven partly by globalisation and technological advancements, there is a long-term trend towards higher level skills and qualifications in the industry, which is set to continue. 47,500 job opportunities are expected in the period to 2022 through a combination of expansion and replacing those who have left the sector; 62% of those roles are expected to be at managerial, professional and associate professional level.

The Skills Investment Plan notes that the financial services sector has a higher proportion of workers in managerial, professional and technical roles than the Scottish average – 52% in financial services compared to 41% in Scotland as a whole. The restructuring of the financial services sector since the financial crisis has led to a requirement for more individuals in highly skilled roles.

The third sector

Scotland has a strong and dynamic third sector, which plays a crucial role in the drive for social justice and inclusive economic growth, and is essential to the reform of public services and to the wellbeing of our communities.

There are over 45,000 third sector organisations in Scotland, from small charities run by volunteers to multi-million pound educational establishments. This includes universities, housing associations, colleges, Arms-Length External Organisations and organisations that operate internationally. The third sector plays a vital role in Scotland's communities, working with them to tackle tough social issues at source. Many of the services provided by the third sector – particularly in health and care delivery – rely on workers from other EU countries (see also the section below on

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[41] Office of National Statistics (ONS) (2016) *Regional gross value added (income approach), UK: 1997 to 2015*: https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedincomeapproach/december2016

[42] Employment figures from Business Register and Employment Survey include working proprietors, but do not include the smallest sole traders that have an annual turnover below the VAT threshold

[43] Annual Population Survey 2016 (January to December), Office for National Statistics

[44] Skills Development Scotland (2016) *Skills Investment Plan for Scotland’s Financial Services Sector*: https://www.skillsdevelopmentscotland.co.uk/media/42492/financial-services-sip-nov-2016.pdf

social care). Moreover, the corollary between inward migration and population growth and economic growth is of crucial importance to Scotland's third sector, as the strength of the economy has a direct bearing on levels of public spending, disposable income and charitable giving and, subsequently, funding for many third sector organisations.

The third sector is also highly international in their outlook. Over a third of Scottish charities are engaged in European projects, networks, collaborations or learning exchanges. In areas such as poverty and inequality, refugee assistance, climate change and social enterprise, European countries have admired Scotland's approaches to tackling big issues. An immigration system that made transnational collaboration and exchange more difficult could threaten the strength of the Scottish third sector as a whole and reduce its level of innovation.

Case study one: Camphill Communities

Camphill Scotland is a membership body for 11 Camphill communities in Scotland, which together support more than 500 people with learning disabilities and other support needs, ranging from children to older people. The communities are located across Scotland, from Dumfries to Aberdeen. Each offers a supportive community life with personalised opportunities to find purpose and belonging through a wide range of social, cultural and work activities.

EU citizens make a significant contribution to many Camphill communities in Scotland as employees, and as volunteer co-workers, with most communities relying heavily on EU citizens working and living in the communities to help provide essential education, care and support for the members of the communities with learning disabilities and other support needs. A number of Camphill communities have emphasised the importance of freedom of movement to the recruitment of co-workers and employed staff by the Camphill communities:

*"Without the free movement, we believe that short term volunteers from the EU may be discouraged from joining our community for a year as the current system with no barriers to joining us, providing us with a wide range of skilled and motivated volunteers (critical for the sustainability of our community/business). This also provides us with access to training volunteers for the possibility of employed positions, adding the rich cultural diversity of our community" (*Camphill Blair Drummond).

Indeed, some communities have already highlighted the potential impact that restricting free of movement of persons could have:

"All the co-workers who live and work at Loch Arthur are non-salaried. If we were not able to recruit short stay co-workers or retain people to carry responsible positions in the Community, then we feel that the existence of Loch Arthur as a Camphill Community will be threatened" (Camphill Loch Arthur).

The contribution of free movement, and the benefits brought by volunteers and employees are fundamental to the ethos and values of the Camphill communities. One community described free movement as:
"[…] a core part of our values. It enables individuals with additional support needs to meet a wide variety of people and cultures. It brings a depth of understanding and knowledge to our Community that we would not otherwise enjoy. It allows us to broaden the horizons of those we support and those who support us. It encourages creative responses to challenging problems and helps to protect the value of our ethos – which is an ethos of inclusion" (Camphill Tigh a' Chomainn).

170 (or 68%) of the 251 short-term co-workers currently living and working in Camphill communities in Scotland are from other EU countries. 76 were, as at November 2016, non-EU nationals, and were relying on a visa to remain and volunteer. Only 5 short term co-workers were UK citizens. Of the 165 people working as long term co-workers, a total of 88 (or 53%) are from other EU countries; as at November 2016, 12 were non-EU nationals relying on visas to remain and volunteer in a Camphill in Scotland community. Approximately 65 of the long term co-workers were UK citizens[45].

Scotland's rural economy

Rural areas are home to one fifth of Scotland's population. The importance of migration in meeting Scotland's demographic and economic needs is felt in particular in our rural communities, where although numbers may be small compared to large urban concentrations, the positive contribution made by EU workers, and their families, can be especially significant.

Approximately one third of Scotland's registered small and medium-sized enterprises are based in rural areas, with some 51,000 businesses operating in a diverse range of sectors including agriculture and forestry, tourism, the manufacture of high-tech niche products and creative services. Many are reliant on straightforward access to a workforce that includes workers from other EU countries, in order to meet their current and future labour needs and would be disproportionately disadvantaged by any restrictions which meant they were unable to hire the labour that they needed.

Low unemployment in rural areas mean workers often need to be sourced from outwith the local area, driving the need for migrant workers. Scotland's unemployment rate, at 4.5%, is lower than the UK average of 4.6%[46], and employment rates in rural areas are significantly higher than in urban areas, partly reflecting a long tradition of people leaving rural areas in search of employment: Orkney Islands has the highest employment rates of all Scottish local authorities, at

[45] Camphill Scotland and Association of Camphill Communities (2017), *Report of the key findings of the survey on the potential impact of BREXIT on Camphill in Scotland,* available at https://www.camphillscotland.org.uk/wp-content/uploads/2017/09/Brexit-survey.pdf
[46] Model-based estimates of unemployment, Office for National Statistics

87.0%, while Dundee City has the lowest at 64.1%[47]. The impact of low unemployment is disproportionately felt on producers and industries primarily based in rural areas including agriculture, and food and drink. Data from the Federation of Small Businesses found that 1 in 4 (26%) of small businesses in Scotland employ EU citizens, rising significantly in rural areas, with 41% of small businesses in the Highlands and Islands employing EU citizens.

Some of the sectors in rural areas most reliant on non-UK workers include horticulture, dairy farming, fisheries and meat processing, often in casual and seasonal employment. On the 1 June 2016, there were 63,400 people working on agricultural holdings across Scotland. Worker-occupiers and their spouses made up 58% per cent of the total workforce; regular staff accounted for 32% and casual and seasonal workers 10%[48].

The section below sets out more evidence on the contribution of workers from other EU countries to primary sector rural industries, which employ more people in remote rural (17%) and accessible rural (12%) areas than in the rest of Scotland (0.4%)[49].

Many roles within these sectors are lower skilled (i.e. below the skill level required to obtain a Points Based System Tier 2 visa to work in the UK) and often seasonal. Research by the National Farmers' Union (NFU) conducted shortly after the referendum found that employers were having difficulty in recruiting the necessary EU labour.

Providing comprehensive data on the contribution of seasonal workers from other EU countries to the Scottish agriculture sector is challenging, in particular given the short-term nature of their employment which means such workers are often absent from official statistics. The Scottish Government has commissioned Scotland's Rural College (SRUC) to gather more detailed analysis on the numbers of seasonal labourers, as well as on their working conditions and wage rates. This project will seek the views of workers themselves, as well as farmers and labour providers, to provide a richer picture of the state of seasonal migrant workers in Scotland. We expect interim reporting by the 5 December 2017 and a final report in April 2018.

Agriculture

Horticulture

One of the sectors most heavily reliant on seasonal EU labour is horticulture. Taken together, horticulture and the potato industry make a significant contribution to Scottish agriculture, accounting for £460 million of output 2016 . The soft fruit sector, in particular, has been growing across the UK and in Scotland. Strawberry

[47] Annual Population Survey (APS), Office for National Statistics, July 2016 to June 2017

[48] Scottish Government (2016) *Farm Labour statistical and economic information*: http://www.gov.scot/Topics/Statistics/Browse/Agriculture-Fisheries/agritopics/farmlabour

[49] Scottish Government (2011) *Rural Scotland Key Facts 2011*. National Statistics: http://www.gov.scot/Publications/2011/09/29133747/4

consumption alone in the UK as a whole has increased by 150%, up to some 168,000 tonnes between 1996 and 2015, of which some 70% was grown in the UK. Raspberry consumption was up to 123%, with around 60% grown in the UK (according to figures from the UK Department for Environment, Food and Rural Affairs)[50].

The soft fruit and vegetable sectors are particularly reliant on seasonal migrant labour, with the vast majority of workers in the sector coming from overseas, and only a very small proportion (often only the business proprietors) who are permanent British workers. The greatest demand for workers comes during harvest in summer and autumn (roughly between May and September), although there are other roles required earlier in the year. It is estimated that up to 22,000 non-UK seasonal workers are employed on Scottish farms every year, the majority of whom come from other EU countries[51].

Many growers in the soft fruit industry in Scotland have expressed serious concerns about the impact that any limitations on easy access to seasonal labour would have on their businesses. The tight timeframes associated with the harvesting of fresh food have led some to highlight the possibility of fruit going unpicked and 'rotting in the field'.

"Access to labour is vital for Scottish agriculture, with sectors such as soft fruit and field vegetables being completely dependent on non-UK harvest workers" (James Porter, Angus soft fruits/ Growers and Chairman of the National Farmers' Union Scotland's (NFUS) Specialist Crops Committee[52]).

Research conducted immediately after the Brexit vote in 2016 found some evidence suggesting a labour shortage in the agricultural sector. The NFU found that the number of available labourers on British horticultural and potato farms declined throughout 2016[53]. The research found labour providers increasingly unable to meet recruitment targets and that returnee workers were more likely to leave early or not return altogether, all of which contributed to the shortfall. In July 2017 a survey conducted by the Association of Labour Providers found that 30% of respondents did not expect to be able to source and supply sufficient workers for summer 2017 peak season, with 45% reporting the same expectations for the 2017 Christmas peak[54]. Further, half of respondents felt that the quality of workers is "worse" than 12 months ago. Some soft fruit growers say they are even willing to move their business to

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[50] British Summer Fruits Seasonal Labour Report (2017) *The Impact of Brexit on the UK Soft Fruit Industry*: http://www.britishsummerfruits.co.uk/media/TheAndersonReport.pdf

[51] The June Agriculture census 2017, available at http://www.gov.scot/stats/bulletins/01299

[52] Scotland's Rural College website: https://www.sruc.ac.uk/info/120671/our_projects/1840/seasonal_workers_in_scottish_agriculture

[53] National Farmers Union (NFU) (2016) *Seasonal Labour Providers' Survey* report: https://www.nfuonline.com/assets/80667

[54] Association of Labour Providers (ALP) (2017) *ALP Labour Survey Results*: http://labourproviders.org.uk/wp-content/uploads/2017/08/Food-Industry-Labour-Sourcing-Fears-deepen-July-ALP-Labour-Survey-Results-%E2%80%93-2nd-August-20171.pdf

countries such as Poland where they can access labour pools, should migration to the UK continue to dwindle and prices continue rising[55].

The evidence suggests that the need for labour could not be addressed by recruitment of local people alone, not least given the low unemployment that characterises rural areas. Angus Growers (a large soft fruit producer organisation based in Arbroath on the east coast of Scotland) employ around 4000 seasonal workers across all partner farms.

Any restrictions on access to reliable, seasonal labour would have a very significant and detrimental effect on the sector, reducing the size of the industry and reducing domestic production in favour of imports. Given the demand across Europe for seasonal agricultural workers, there is a risk that if the UK is seen as an unwelcoming destination, even in the absence of specific visa, salary, or other barriers to short-term seasonal work, EU workers may choose other high-income countries such as Germany or the Netherlands instead. There is already some evidence that this may be happening.

Dairy farming

The picture is similar in the Scottish dairy sector. According to the Royal Association of British Dairy Farmers (RABDF):

"If the Central and Eastern Europeans went back to their native countries then dairy farming would be in dire straits as so many farmers are now dependent on this migrant labour force"[56].

RABDF's migrant survey, carried out in 2016, found that 51% of respondents had experienced difficulty recruiting staff within the last 5 years, and 56% had recruited staff from outside the UK. The overwhelming majority of farmers (93%) said that overall, the use of EU labour had been a successful option for their farm. This was an increase in the number of respondents recruiting overseas workers compared to the 2014 survey, when 32% of respondents had recruited from outside the UK. The 2014 survey drilled down further to find out why farmers used migrant as opposed to UK labour:

"62% of cases said there was insufficient UK labour available, however there were also question marks about value for money whilst some had special attributes - it's a

[55] Bird, J. (2017) Briefing: *Seasonal workers in Scottish agriculture: assessing the evidence base and implications of Brexit,* Local Government Information Unit Scotland: https://www.sruc.ac.uk/downloads/file/3519/seasonal_workers_in_scottish_agriculture_assessing_the_evidence_base

[56] http://www.rabdf.co.uk/latest-news/2015/6/3/migrant-labour-makes-significant-contribution-to-uk-dairy-farm-labour-force-rabdf-survey

fact that many Central and Eastern Europe citizens are highly qualified and therefore provide excellent head herdsmen[57].”

Half of the overseas workers employed by respondents in 2016 were highly skilled or mainly highly skilled in dairy.

Respondents expressed concern about the impact of Brexit on their ability to recruit and retain workers: 62% of respondents were concerned that Brexit would affect their ability to employ EU labour; 42% anticipated that retaining existing migrant labour would be an issue; 58% were concerned about their unit’s financial viability due to labour shortage.

The domestic supply of workers in the sector is limited. Evidence suggests that dairy is an ageing and increasingly expensive industry to enter; an Agriculture and Horticulture Development Board (AHDB) study, which conducted a representative survey of 1230 UK dairy farmers, found that the majority of respondents were between the age of 50 and 59 with only 2% of those surveyed under 30 and 10% under 39. The majority (72%) owned and occupied their farms[58].

Food processing and manufacturing

Food and drink products play an important role in the Scottish economy, contributing a combined £3.8 billion Gross Value Added (GVA). The beverages sector in 2015 contributed £2.3 billion to GVA (equivalent to 18.5% of total manufacturing GVA); and food products £1.5 billion (12.2% of total manufacturing GVA)[59].

Meat processing

The red meat supply chain in Scotland generates an annual output of some £2.4 billion Gross Value Added, creating employment of in excess of 33,000 people, with migrant labour playing a key role in the sector[60]. Scottish abattoirs produce around 170,000 tonnes of beef, 26,500 tonnes of sheep meat and 25,000 tonnes of pig meat annually. Typically, around 23% of Scottish abattoir annual turnover is derived from meat sales to customers within Scotland, two-thirds of the turnover comes from sales to customers in the rest of the UK and 10% of turnover, some £75 million per annum,

[57] 2014 Royal Association of British Dairy Farmers EU Labour Survey, available at: http://www.rabdf.co.uk/labour/

[58] DairyCo (2013) *Farmer intentions Survey 2013* report: https://dairy.ahdb.org.uk/resources-library/market-information/farmer-intentions/farmer-intentions-survey-2013/#.We3AYFJlLcs

[59] Scottish Government (2017) Scottish Annual Business Statistics (SABS), Key Facts: http://www.gov.scot/Topics/Statistics/Browse/Business/SABS/KeyFacts

[60] Quality Meat Scotland (QMS) (2017) *Importance of Migrant Labour to Scottish Red Meat Industry*, website news, June 2017: http://www.qmscotland.co.uk/news/importance-migrant-labour-scottish-red-meat-industry

comes from international sales, according to data from the industry body Quality Meat Scotland[61].

The role of non-UK labour is of fundamental importance in the slaughter and processing sector, including in veterinary inspection. Across the UK 90% of abattoir vets are from other EU countries[62], and the proportion is similar in Scotland. Abattoirs are unable to operate without a vet, so although numbers are small overall the contribution made by those roles to the meat processing industry in Scotland cannot be overstated.

In a survey carried out amongst members of the Scottish Association of Meat Wholesalers, 52% of the unskilled workforce, 44% of the skilled workforce and 16% of supervisory and management staff were non-UK nationals.

As with many sectors in the rural economy, recruiting the necessary labour from the local area is challenging, with industry citing both a lack of suitably skilled local labour, particularly in butchery, and many roles perceived as undesirable by potential workers (due, for example, to shift-working and unsocial hours, the work being physically demanding and a work environment that includes working in chills or areas kept cool for food safety reasons, and a need to wear specialist personal safety equipment)[63]. Low unemployment in rural areas associated with meat processing as again another factor limited the local labour supply.

Seafood

Around 15,000 people were employed in sea fisheries, aquaculture and seafood processing in Scotland in 2014, generating £952 million Gross Value Added in the same year.

There are around 230 fish processors in Scotland, employing approximately 7,000 people, the majority in shellfish processing. The processing industry is concentrated in the Grampian region, which makes up 51% of all of the processing units and provides 62% of Scottish processing employment[64].

Dependency on non-UK nationals is higher in Scotland than the rest of the UK with case study analysis of Scotland's large processors estimating 58% of their workforce are EEA nationals[65]. This is in comparison to estimates of 46% of the UK seafood

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[61] Quality Meat Scotland (QMS) (2017), *Scottish red meat trade - challenges and opportunities resulting from Brexit*, Brexit Briefing Paper 1: http://www.qmscotland.co.uk/sites/default/files/qms_briefing_paper_1_-_brexit_-_feb_2017.pdf

[62] British Veterinary Association quoted in http://www.bbc.co.uk/news/uk-politics-40703369

[63] Quality Meat Scotland (QMS) (2017) *Migrant labour and the Scottish red meat sector - a Brexit discussion paper*, Brexit Briefing Paper 2: http://www.qmscotland.co.uk/sites/default/files/brexit_migrant_labour_discussion_paper_pdf_final.pdf

[64] Seafood Scotland website: http://www.seafoodscotland.org/en/responsible-sourcing/overview-of-the-seafood-industry/processing.html

[65] Employment in Scotland Seafood Processing Sector: 2016. Marine Analytical Unit, Marine Scotland

processing workforce coming from other EEA countries[66]. In some regions in Scotland this dependency is even higher, for example it is estimated that 70% of all staff in seafood processing in Grampian are non-UK nationals. Mixed species processing factories had the highest dependence on EEA workers, who represented 64% of those employed in the businesses. This survey focused on large processors only[67].

The sea fisheries industry is also highly dependent on overseas labour. In 2015 the Scottish Government carried out the second "Sea Fisheries Employment survey", based on face-to-face interviews with skippers on the quay side of all major ports and the majority of small harbours in Scotland, collecting data from 222 vessels, representing 15% of the Scottish fleet. At the time of survey, 71.9% of the crews came from the UK, 8.1% from EEA countries, and 19.3% from non-EEA countries. Of those reporting EEA nationality, most came from six countries – Ireland, Latvia, Lithuania, Poland, Romania and Spain. Crews from non-EEA countries came from four countries – Philippines, Ghana, Sri-Lanka and Belarus[68].

Most of the surveyed EEA and non-EEA crews worked on Scottish vessels as engineers (charged with the running of the vessel and its equipment) and deckhands (working on the deck with the fishing gear and clearing and sorting catch)[69].

Both seafood processors and sea fishing businesses have told us about the challenges of recruiting UK nationals to work in the sector, given the widespread perception that roles represent the so-called '3Ds' of jobs (dirty, dangerous and dull). The low unemployment in many of the rural areas where seafood processing and sea fishing posts are based also contributes to the limited pool of available labour. Many business owners in both sectors have cited potential business failure if overseas labour could not be accessed. This was especially the case in sea fisheries. A few processors have suggested that there is some potential to shift to more technical solutions (more automation and use of robots) but this would require considerable lead in time and investment[70].

Discussions are currently taking place on whether future monitoring of labour in the sector should take place, as there are fears some EU citizens have started leaving the UK and reports of lower response rates to job applications from EU citizens than previously.

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[66] Seafish (2016) *Seafood Processing Industry* Report 2016: http://www.seafish.org/media/publications/2016_Seafood_Processing_Industry_Report.pdf

[67] Employment in Scotland Seafood Processing Sector: 2016. Marine Analytical Unit, Marine Scotland

[68] Scottish Government (2016) *Scottish Sea Fisheries Employment 2015*, Marine Scotland Science, Marine Analytical Unit: http://www.gov.scot/Resource/0050/00507777.pdf

[69] Scottish Government (2016) *Scottish Sea Fisheries Employment 2015*, Marine Scotland Science, Marine Analytical Unit: http://www.gov.scot/Resource/0050/00507777.pdf

[70] Employment in Scotland Seafood Processing Sector: 2016. Marine Analytical Unit, Marine Scotland

Scotland's public services

Public services and those who work in them are vital to the success of our economy and our society. Across the public sector EU citizens and migrants from outside the EU make a vital contribution, frequently filling skilled vacancies in hard-to-recruit specialisms and geographical areas. Although measures are being taken in many areas to increase domestic routes into these sectors, EU citizens will continue to play an important role.

Health

Health is a devolved function within Scotland; as such the National Health Service (NHSScotland) is structurally differently from its counterparts in other parts of the UK. The vast majority of traditional health activity is conducted through NHSScotland and a much lower proportion of healthcare activity is undertaken by the independent and voluntary sectors, as compared with England for instance. Equally, the vast majority of the health sector workforce in Scotland is employed by the public sector.

NHSScotland consists of fourteen Territorial Health Boards and eight Special Health Boards; each is directly accountable to Scottish Ministers. As of 1 April 2016, specified health and social care functions have been delivered under the auspices of an Integration Authority, pursuant to the Public Bodies (Joint Working) (Scotland) Act 2014. There are 31 such authorities, who control an integrated budget and oversee the commissioning of services. Health Boards in Scotland recruit locally to fill vacancies and are collectively the largest group of employers in Scotland.

With the exception of the territorial boards operating in the central belt, (NHS Lothian, NHS Greater Glasgow and Clyde, and NHS Lanarkshire) all Health Boards provide aspects of their services within a remote and rural context, providing specialist and emergency treatment to sparsely dispersed populations over large geographical areas.

EU citizens represent an important source of talent and make an important contribution to the workforce of Health Boards. EU citizens have filled vacancies where there have been acute shortages and in traditionally 'hard-to-fill' occupations across front-line community and hospital based health services and are represented across: medical and dental, nursing and midwifery, allied health professionals, scientific, technical and support staff.

One of the major advantages of the free movement of people, for Health Boards, is the increase in size of the talent pool from which specialists can be drawn. Equally, as compared with recruitment outwith the EU, employing an EU citizen is quicker and more cost effective as there are no additional regulatory burdens and charges (such as the Resident Labour Market Test, Tier 2 visa certificate charges and the Immigration Skills Charge that apply to non-EU workers). NHS Lothian, for example, told us that the EU talent pool assists in filling vacancies in specialties experiencing acute shortages including mental health, theatres, anaesthetics and paediatrics. Boards have told us that they are concerned that losing EU citizens from the workforce may produce acute shortages that cannot be easily filled from within the domestic market and for which increased training and development opportunities will not provide a short or even medium term fix.

Contribution of EU workers

A 2014 "Skills for Health" report[71] estimated that there were approximately 183,000 people working in the Scottish health sector (public and private, though excluding social care), representing some 7% of all people working in Scotland (and some 9% of the total UK health sector workforce). As of 30 June 2017, there were a total of 162,192 staff working for NHSScotland, including 5,139.5 medical and dental consultants; and 59,377.9 nursing and midwifery staff[72].

Estimates for the combined health and social care sector workforce vary, but it is likely that the combined workforce represents some 15% of the total workforce in Scotland. Some 80% of all Scottish health sector professionals work in the public sector.

Employees in the health sector are older than in the whole economy; the sector employs fewer people aged under 25 than the whole economy average and the proportion of the workforce aged 35-59 is higher than in the whole economy[73]. As such, the pressures of an ageing population are felt acutely in the health sector.

As compared with the wider population, the health sector workforce is highly skilled. Professional occupations (including dentists, doctors, nurses, therapists, midwives and dental technicians) comprise some 53% of the health sector population, as compared with 19% of the whole economy in Scotland.

In line with the National Health and Social Care Workforce Plan, efforts to widen access to the regulated clinical professions are on-going. The Chief Nursing Officer's commission on widening access to nursing and midwifery education and careers will report at the end of the year[74]. Steps have already been taken to increase undergraduate medical numbers in Scotland, including 50 extra places in 2016, which has been sustained this year. A graduate entry programme will commence in

[71] Skills for Health (2014) *The Health Sector in Scotland: A Labour Market Intelligence Report*, pp. 33: http://www.skillsforhealth.org.uk/index.php?option=com_mtree&task=att_download&link_id=85&cf_id=24,

[72] NHS Scotland (2017) *NHSScotland Workforce Information Quarterly update of Staff in Post and Vacancies at 30 June 2017,* Information Services Division Publication Report: https://www.isdscotland.org/Health-Topics/Workforce/Publications/2017-09-05/2017-09-05-Workforce-Report.pdf

[73] NHS Scotland (2017) *NHSScotland Workforce Information Quarterly update of Staff in Post and Vacancies at 30 June 2017,* Information Services Division Publication Report: https://www.isdscotland.org/Health-Topics/Workforce/Publications/2017-09-05/2017-09-05-Workforce-Report.pdf

[74] Scottish Government (2017) *Widening access to nursing & midwifery*, website news, April 2017: https://news.gov.scot/news/widening-access-to-nursing-midwifery

2018, offering 40 graduate school places for graduates from other disciplines. Further, as part of the National Health and Social Care Workforce Plan, Scottish Ministers have committed to increasing undergraduate medical places by 50-100 over the course of this parliamentary term.

Nonetheless, whilst some steps can and are being taken in relation to training numbers to address projected workforce needs, we will not reach a position where we are able to recruit all of the clinically regulated workforce that we need from within the UK; on any analysis it is anticipated that we will always need to recruit internationally from the EU or beyond. The nature of medical training means that if you put an undergraduate medical student into the system today, it will be a minimum of 10 years before that student is a qualified GP and training pathways are considerably longer in other specialties. Increasing undergraduate provision is only ever a potential solution to longer-term workforce supply issues. In addition, increasing recruitment in one sector will reduce the pool of potential candidates for other sectors. We cannot therefore view this as a sector issue with sectoral solutions, but rather as a whole workforce issue.

Health Boards have not historically collated (in a retrievable format) nationality data for EU workers, as there is no restriction on such workers seeking employment within the UK. The regulation of doctors, nurses and midwives is undertaken by UK-wide regulatory bodies; in some instances, Scotland-only statistics are not available.

Clinicians
For clinicians, the most effective proxy we currently have is country of primary medical qualification data, collected by the General Medical Council (GMC), though this is not a wholly reliable proxy[75]. UK-wide, in 2015 there were 22,039 EEA graduates who had a license to practice medicine in the UK (9.4% of the total workforce). In Scotland in 2015, there were 1,140 graduates with a license to practice, representing some 5.7% of the workforce (although figures may be slightly higher, as the GMC could not accurately place some 4,117 of the 22,039 practising doctors with an primary medical qualification from another EEA country, so a proportion of these may also be practising in Scotland). They had an average age of 43.6 years and an average of 11.3 years' experience**.**

Beyond the overall number of EEA graduates registered and practising in Scotland, it is important to consider where these doctors are placed within the health service in Scotland and their medical specialism. Particularly in remote and rural areas, a single consultant level specialist (or indeed a spousal team) may be running a vital service. Equally, it is important to consider the possibility that EEA-qualified clinicians may be disproportionately located within 'hard-to-fill' specialisms and/or shortage occupations. We know, for instance, that currently a number of Boards are experiencing difficulties in securing consultant grade radiologists, particularly within

[75] Note that this data covers EEA and Swiss nationals (i.e. EU27 countries plus Iceland, Liechtenstein and Norway)

radiology sub-specialisms. More broadly, the rate of growth in consultant numbers working within NHSScotland has slowed markedly in the 12 months from June 2016 – June 2017 (from 2.7% to 1.2%). There were some 476.4 WTE consultant level vacancies at 30 June 2017 (some 8.5%), of which some 48% have been vacant for more than 6 months[76]. It is important to note that on average, doctors from EEA countries have significant post-qualification experience and so could not simply be replaced through increasing access to medical training in the UK.

UK-wide, EEA graduates represent 9.4% of the workforce, however EEA graduates are overrepresented within many medical specialisms including anaesthetics and intensive care, obstetrics and gynaecology, ophthalmology, paediatrics, pathology, psychiatry, radiology, surgery. It is not known how this breaks down by country of the UK, though radiology is experiencing acute shortages across Scotland.

In terms of clinical trainees[77], in Scotland in 2017 there are 310 EEA nationals training in Scotland (out of a total of approximately 5555 trainees), representing 5.6% of all trainees.

Nursing
The Nursing and Midwifery Council (NMC) have indicated that approximately 5% of nurses currently on the NMC register trained within the EU. UK-wide, this equates to over 33,000 trained nurses, more than the whole of the nursing workforce in NHS Wales[78]. As with clinicians, these figures do not include EU citizens who trained in the UK; EU citizens training as nurses at Scottish Universities are not charged tuition fees and can access training bursaries in the same manner as UK nationals resident in Scotland. The number of nurses from other EU countries has been rising over the past decade, though the President of the Royal College of Nursing has noted that since the Referendum, there has been a 96% drop in nurses from other EU countries registering to practice in the UK[79].

The number of registered nurses with an address in Scotland, with a primary medical qualification from the EU, is broadly equivalent to the UK national average[80]. Approximately 4% of all nurses in training in Scotland are from other EU countries[81].

[76] NHS Scotland (2017) *NHSScotland Workforce Information Quarterly update of Staff in Post and Vacancies at 30 June 2017,* Information Services Division Publication Report:https://www.isdscotland.org/Health-Topics/Workforce/Publications/2017-09-05/2017-09-05-Workforce-Report.pdf
[77] Management information provided by NHS National Education Scotland
[78] Royal College of Nursing (RCN) (2016), *Unheeded warnings: health care in crisis The UK nursing labour market review 2016*: https://www.rcn.org.uk/professional-development/publications/pub-005779
[79] Royal College of Nursing (RCN) (2017) *The RCN has responded to a sharp drop in the number of EU nurses registering to work in the UK*, website news, June 2017: https://www.rcn.org.uk/news-and-events/news/new-eu-nurse-figures-a-wake-up-call
[80] Management information provided to Chief Nursing Officer's Division.
[81] Office for National Statistics, 29 June 2016

In 2017, Scotland was the only UK country to see an increase in student nurses from the EU/EEA[82].

EU citizens make a significant contribution to the nursing profession in Scotland and are a vital source of talent in a profession that continues to experience high-levels of vacancies across Scotland, and UK-wide. The significant drop in interest from EU-qualified nurses poses a significant threat to patient care.

Furthermore, all nursing occupation codes are currently listed on the UK Shortage Occupation List. Allowing EU citizens to fill nursing vacancies (which have grown in the past year and are set to continue to grow) in the same manner as UK nationals, expands the domestic talent pool and alleviates the pressure to recruit internationally. The challenge of ensuring staffing in remote and rural areas is felt across the nursing profession. In NHS Grampian, for instance, nursing and midwifery vacancies stand at 429.2 WTE nursing vacancies (at 30 June 2017), an increase of 71.7% from September 2007. This equates to an overall nursing vacancy rate of 8% of nursing establishment, compared to 5% for Scotland as a whole.

Dentists

Data provided to the Chief Nursing Officer's Division within the Scottish Government indicates that as at 1 September 2016, there were 375 dentists registered in Scotland who were qualified in another EEA country (9.41% of the total of 3,985 dentists registered in Scotland). Information released by the General Dental Council (GDC) pursuant to a Freedom of Information Request shows that at 21 December 2016, there were 3,747 dentists and dental care professionals on the register who were EEA nationals (excluding the UK, Ireland and Malta). Equally, some 6,105 dentists and dental care professionals are identified as having an EEA primary qualification (excepting the UK, Ireland and Malta[83]. As many dentists are in private practice and/or working only as an NHS contractor, precise distribution is unknown. Of the 2,571 dentists (UK-wide) who joined the GDC register in 2015, 669 (or 26%) qualified in other EEA countries[84]. Of the 2,571 dentists (UK-wide) who joined the GDC register in 2015, 669 (or 26%) qualified in EEA countries.

Allied Health Professionals

Allied health professionals include those professions supporting individuals in recovery, assisting in regaining movement or mobility, overcome visual problems, improving nutritional status, developing communication abilities and restoring confidence in everyday living skills. There is limited data for specific allied professions. Overall, EEA nationals represent approximately 2.5% of the total workforce in Scotland of the major professions regulated by the Health and Care

[82] Management information provided to the Chief Nursing Officer's Division.

[83] General Dental Council (GDC) (2017) *GDC response - registration data of registrants by country of origin and qualifications*, FOI request, January 2017: https://www.gdc-uk.org/search?querytext=EU+qualified

[84] Management information provided to Chief Nursing Officer's Division, Scottish Government

Professions Council (HCPC)[85]. Amongst the professions regulated by the HCPC we do know that it was estimated at 24 June 2016 that some 5.5% of physiotherapists practising in Scotland had an EEA qualification.

We understand that many health boards are still working to quantify the potential impact of Brexit on healthcare support workers, who work across the health and social care divide. There are significant complications with tracking this workforce; whilst healthcare support workers working for the NHS will be employed directly by a Health Board in Scotland, those working in adult social care in other settings may well be employed in the private sector (or be retained by an agency). Healthcare support workers play a vital role in ensuring patients within the NHS in Scotland experience continuity of care and support in their recovery. It is for this reason that the Scottish Government has chosen to integrate the provision of Health and Social Care in Scotland. Working to promote recovery within communities supports capacity in primary and secondary health services. We know that healthcare support workers from the EU/EEA are likely to unevenly distributed across services and are more likely to be living and working in Scotland's larger cities and/or the central belt. The regional impact within Scotland of recruitment and retention of healthcare support workers should not be underestimated, a recent report by the Care Inspectorate found that there are significant numbers of EU nationals working in healthcare support roles and that significant numbers of providers across the country have difficulties recruiting staff.

Social care

Understanding the scale and impact of workers from other EU countries in the social care sector is particularly challenging given the nature of the sector and the split between independent, voluntary and statutory organisations providing care.

At the end of 2016 there were around 200,650[86] people employed in the social services workforce in Scotland across independent, voluntary and statutory organisations (latest available data). Estimates based on the Annual Population Survey from 2016[87], suggest that EU citizens comprised 4.4% of the social work sector workforce in Scotland, and non-EU nationals a further 2.4% of the combined health and social work sector (due to the small sample size it is not possible to identify the number of non-EU nationals working in the social work sector specifically).

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[85] EEA figures may be higher as professions regulated by the HCPC are not subject to the automatic recognition of professional qualifications procedures under directive 2005/36/EC and so the Council has not routinely identified EEA-qualified applicants separately from international applicants

[86] Scottish Social Services Council (2017) *Scottish Social Service Sector: Report on 2016 Workforce data", An Official Statistics Publication for Scotland*: http://data.sssc.uk.com/images/WDR/WDR2016.pdf

[87] Annual Population Survey 2016 (January to December), Office for National Statistics

In March 2017, Scottish Care (the representative body for independent social care services in Scotland) undertook surveys of their provider members, who operate in the independent sector and provide care at home services and in care homes. Responses were obtained from 161 care home services covering 5523 FTE care home staff (641 nurses and 4287 in direct caring roles), and from 82 Care at Home/Housing Support providers. The survey indicated that around 6% of Care Home workers were reported to be EU citizens, and around 6% were from other countries. Nearly 8% of nurses in Care Homes were EU citizens[88].

Anecdotally, Scottish Care have indicated that in 'care at home' and housing support services, responses indicated that around 8% of workers were reported to be from other EU countries, with a further 1.8% non-EU nationals, suggesting a higher proportion of EU citizens in this subsector than figures obtained in previous studies.

Many workers in this sector are low or unskilled, and relatively low paid. As a result, any restrictions on migration based on skill or salary thresholds are likely to have a disproportionate effect leaving to significant gaps in care provision. This problem is likely to exacerbate as the Scottish population ages.

Education

As in health and social care, EU citizens make an important contribution to the education sector.

Primary and secondary education

The Scottish Government, together with the Convention of Scottish Local Authorities (COSLA), provided evidence to the Migration Advisory Committee in October 2016 in response to a call for evidence on a partial review of the Shortage Occupation List as it related to teachers (from outside the EU)[89].

The recruitment and deployment of teachers is the responsibility of local authorities in Scotland, who have the statutory duty for education expenditure. A workforce planning exercise is carried out annually by the Scottish Government, in partnership with other stakeholders, including COSLA, the Association of Directors of Education in Scotland, the General Teaching Council for Scotland, teacher unions and representatives of universities to project the minimum requirements for the number of newly trained teachers. This draws on projections on pupil numbers, the relationship between teacher/pupil ratio and school size to produce an overall assessment of the demand for teachers, and an assessment of supply including those joining and returning to the profession, and those expected to come from overseas.

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[88] Scottish Care (2017) *Care Home Workforce Data* Report 2017: http://www.scottishcare.org/wp-content/uploads/2017/07/Care-Home-Workforce-Data-2017.pdf

[89] Scottish Government and COSLA *Joint response to the MAC Call for Evidence on the Partial review of the Shortage Occupation List: Teachers, October 2016 available at: http://www.gov.scot/Resource/0051/00516454.pdf*

Providing accurate data on the numbers of teachers from other EU countries working in Scotland is difficult. There are approximately 1000 teachers registered to teach in Scotland from EU or non-EU countries (although we cannot identify how many of them are actually in post in Scotland).

Maintaining teacher numbers is a significant challenge, with a particular shortage in STEM (Science, Technology, Engineering and Maths) subjects, not only in Scotland but internationally. If existing EU teachers were unable to remain in Scotland after the UK's exit that would more than double our recruitment challenges and have serious impact on teaching and learning in Scotland, as would any future restrictions on the ability to recruit into the profession from EU countries. Furthermore, current EU rules make it easier from teachers from other EU countries to work here - EU Directive 2005/36/EC on the Mutual Recognition of Professional Qualifications allows for the straightforward registration of teachers qualified and registered in another European country.

Most councils in Scotland are already reporting recruitment challenges, as are universities in recruiting teaching students. Recruitment challenges are most acute in rural areas for both primary and secondary teachers and more generally across the country in secondary specific subjects, STEM, Home Economics and English being the most acute. Although shortages are recognised as a national issue, many Scottish local authorities highlight clear challenges in particular geographical areas such as the North East of Scotland, – the island authorities, Argyll and Bute and Dumfries and Galloway, despite the existence of additional pay allowances for teachers working in remote schools or Distant Islands.

We have introduced Curriculum for Excellence (CfE) which is designed to provide a coherent, more flexible and enriched curriculum from 3 to 18. The curriculum includes the totality of experiences which are planned for children and young people throughout their education, wherever they are being educated. Long term vacancies may affect a school's ability to provide a full curriculum.

We are taking measures to increase the numbers of teachers from within Scotland, increasing student teacher intake targets for the sixth year in a row and setting targets to train teachers in the subjects where they are needed most. Over £3 million funding is being made available to train extra 371 teachers in 2017-18. A recruitment campaign helped drive a 19% increase in post-graduate teaching applications to Scottish universities in 2016 compared to the previous year. We have established and continue to fund the Scottish College for Educational Leadership, delivering a new Qualification for Headship which is fully funded by the Scottish Government, and developed the Excellence in Headship programme which provides a package of professional learning for established head teachers, and in November 2016 announced £1 million to support the universities to develop new routes into teaching to help address recruitment difficulties in the hard to fill subjects. However, as with healthcare, increased recruitment in one sector merely increases pressure in other sectors, again highlighting the need for a whole workforce solution.

Nevertheless, there continue to be gaps, and universities are continuing to have difficulty meeting the student intake targets for teacher education. Early indications from university student intake figures for 2017-18 suggest that up to 500 secondary places may be unfilled at this stage, out of a target of 1,750. Any restrictions on the ability to recruit from EU and international countries would further impact on student intakes.

Higher education

Scotland's higher education sector is home to 5 of the world's top 200 universities and a total of 12 in the world's top 5% of universities. The sector generates £11 billion GVA to the Scottish economy every year. Scotland's 19 higher education institutions employ 38,450 directly and another 142,000 jobs are supported indirectly, accounting for almost 6% of all jobs in the Scottish economy[90].

Universities also have a significant positive impact on their regional - as well as national - economy. Dundee University's role in the life sciences cluster, for example, supports around 16% of jobs on Tayside[91].

EU citizens account for 11% of all staff in Scottish higher education institutions (4595 full time equivalent staff members), rising to 17% (3280) of academic staff and 27% of research-only contracted staff. There are over 13,450 EU undergraduates in Scottish higher education. EU students account for 15.9% of the postgraduate research students in Scotland. The number of students in Scotland benefitting from the Erasmus programme for study and/or work has grown by 50% over the last 7 years, to 2107 students in 2013/2014[92].

Staff from the across the EU and beyond add to the quality and diversity of the research base and are crucial to the research undertaken in laboratories. Access to the widest pool of talent from across Europe attracted by quality research has helped to strengthen the quality and impact of our research and international reputation:

"*There have been at least three instances over the last six months where we were trying to attract senior professorial level appointments – not all EU by the way, some were non-EU but they wanted to come into the European Research Area. And [they] basically said: 'You know there's uncertainty at the moment whether the UK will be*

[90] Universities Scotland (2017) *Ten things to know about Scottish Higher Education*: http://www.universities-scotland.ac.uk/scotlands-universities/
[91] Universities Scotland (2017) *Ten things to know about Scottish Higher Education*: http://www.universities-scotland.ac.uk/scotlands-universities/
[92] Universities Scotland (2017) *Universities Scotland's Brexit Priorities*: http://www.universities-scotland.ac.uk/publications/brexit-priorities/

part of the European Research Area and therefore we will wait and see'" (Professor Anton Muscatelli, Principal of the University of Glasgow[93]*).*

Furthermore, ongoing access to EU research funding is critical to attracting the most highly skilled researchers and academics. Scotland's university research base is widely recognised as amongst the best in the world, with 77% of research assessed as 'world-leading' or 'internationally excellent' in the 2014 Research Excellence Framework, which assesses the quality of research in UK higher education institutions. This excellence is underpinned by extensive collaboration with European partners, and Scotland has seen substantial benefit through funding from EU sources. In 2015-2016 Scottish universities secured £97 million from various EU sources (including EU government, charities, business and other sources) representing 10.1% of their total research income. Horizon 2020 is particularly important as Scotland achieves "a higher level of income per capita (€55 per capita compared with a UK average of €40) than all of the other nations [in the UK]" according to Technopolis' 2016 report for the Royal Society. Since the programme launched in 2014, over €440.5 million of funding has been secured by Scottish organisations. Scottish universities and research institutes are the main recipients of Horizon 2020 having secured almost 77.5% (over €341 million) of all the funding awarded to Scottish organisations (to September 2017), with over €316.5 million to universities and over €24.5 million to research institutes.

A reduction in EU funding, particularly via Horizon 2020 or future framework programmes, would put at risk Scotland's involvement in current and future potential partnerships, networks and career development opportunities. It would have a consequential detrimental impact on the quality of our research, reducing the international competitiveness, reputation and long term sustainability of our universities.

[93] Carrel, S (2017) *Universities and Brexit: 'We've 2,500 EU students – talent we don't want to lose'*, The Guardian, February 2017: https://www.theguardian.com/education/2017/feb/21/universities-brexit-eu-students-glasgow-university-anton-muscatelli-research

CHAPTER THREE: ECONOMIC, SOCIAL AND FISCAL IMPACTS

The previous two chapters highlight the critical role that EU citizens, and migrants from the rest of the world, play in the Scottish economy and in meeting our wider demographic needs. They identify the contribution of workers from other EU countries to the Scottish labour market and the ongoing need for employers to be able to easily recruit the right workers that they need. The contribution made by EU workers is felt right across the private, public and third sector, across all skill levels, and in both predominantly urban and rural sectors.

There is no doubt that the contribution of these workers to the Scottish labour market is fundamental. EU citizens making their lives here in Scotland also make a vital contribution to our wider economy, including through their fiscal contribution.

Fiscal

New macroeconomic modelling has been undertaken to investigate the contribution of EU migrants to the Scottish economy, modelling EU migration as an increase in the labour supply. The scale of increase in labour supply is based on a one year inflow of EU migration into Scotland equal to around 7,800 additional employed EU nationals.

It is estimated that on average each additional EU citizen working in Scotland contributes a further £34,400 in GDP. As there are approximately 128,400 EU citizens employed in Scotland, the analysis implies that the total contribution by EU citizens working in Scotland is approximately £4.42 billion per year.

The economic modelling also shows the fiscal contribution made by EU migrants. It is estimated that on average each additional EU citizen working in Scotland contributes £10,400 in Government Revenue.

Supporting rural communities

The Scottish Government is equally clear that EU citizens should not be seen only as workers. Their contribution to the communities in which they live, and to wider Scottish society and culture should also be recognised. EU citizens and their families also play a vital role in supporting essential population growth in Scotland, and in supporting and maintain rural communities and services.

Scotland is significantly more rural, and less urbanised, than the rest of the UK. Scotland represents a third of the UK's landmass but only 8% of the UK's population, with most people living in the central belt.

The average population density across Scotland is 65 persons per square kilometre, but this conceals dramatic differences between urban and rural areas – from a population density of 3,298 persons in the Glasgow City Council area to just 8 persons per square kilometre in the Highlands Council Area[94].

Within Scotland there are specific challenges faced by many of our rural and island communities. Population growth is uneven across communities. Many Local Authority areas, particularly those which include Scotland's Islands, are expected to experience population decline over the next 25 years. For example the latest population projections show that the population decline in Na h-Eileanan Siar is projected to be 14%. This is followed by decline of 12% in Inverclyde, 8% in Argyll & Bute, and 7% in North Ayrshire. This presents a huge challenge in sustaining rural and island economies and societies.

This pattern of distribution, and the depopulation trends in remote and rural areas means that the value of migrants to these areas is more than the skills they bring to gaps in the labour market; their presence in rural areas makes a contribution to the demographic and economic sustainability of rural and remote areas, which is critical for these communities to survive and thrive.

While a higher proportion of residents of rural Scotland, compared to the rest of Scotland, rate their neighbourhood as a "very good" place to live and fewer residents experience neighbourhood problems (e.g. litter and graffiti) or crime, the challenges associated with more rural areas, include transport and the availability and accessibility of services[95]. More people in rural areas are outwith a reasonable drive time to key services (e.g. GPs and shops) compared to the rest of Scotland and fewer people are satisfied with the quality of the public transport services delivered. Residents of rural Scotland spend more a month on fuel for cars, with over 60% of residents reporting to spend over £100 a month in 2013, compared to 47% in the rest of Scotland[96].

[94] https://www.nrscotland.gov.uk/statistics-and-data/statistics/stats-at-a-glance/registrar-generals-annual-review/2016

[95] Scottish Government (2015) *Rural Scotland Key Facts 2015*. People and Communities Services and Lifestyle Economy and Enterprise: http://www.gov.scot/Resource/0047/00473312.pdf

[96] Scottish Government (2015) *Rural Scotland Key Facts 2015*. People and Communities Services and Lifestyle Economy and Enterprise: http://www.gov.scot/Resource/0047/00473312.pdf

Case study two: The Highlands and Islands

The Highlands and Islands covers 40,000 square kilometres, more than half of Scotland's landmass including all of its 94 inhabited islands. Around 100,000 of the 468,000 people who live in the region are island residents. Fewer than 10% of Scotland's population lives in this north western half of the country – making it the most sparsely populated (NUTS2) region in Europe south of the Arctic Circle, and an order of magnitude more sparsely populated than any other part of the UK. Population Density for the Highlands and Islands is 12 inhabitants km^2, the equivalent figures for Scotland and the UK being 69 and 271 respectively.

The Scottish Government Urban/ Rural Classification 2013/14, indicates 29% of the Highlands and Islands population living in 'very remote rural' areas (i.e. areas that are more than a 60 minute drive time from a settlement with a population of 10,000 or more), compared to less than 1% of the population in the rest of Scotland.

In a UK context, the region covers one sixth of the country but is home to only around 0.6% of the population.

However, the population of the region has grown in each decade since the 1960s – following more than a century of continual decline – demonstrating a turnaround in the region's fortunes.

Over the past two decades, lower levels of unemployment have been a magnet for further in-migration, driven in particular by growth in tourism and in the food and drink sector. Despite this in-migration of economically active people, the long-term trend remains one of an ageing demographic – out-migration of indigenous young people in search of educational and employment opportunities presents a perennial challenge for policymakers. Population projections for each of the local authority areas that make up this region all point to a decline in the working age population and a significant increase in the proportion of the population aged 75 and over. Long-term economic and societal sustainability will require a continuation of the in-migration trend seen in recent decades – implementing policies that attract and retain young people through support for education, housing, transport, and both job and career progression opportunities. Given the scattered nature of settlements across the region and the proliferation of small communities on islands it is important that new-comers are attracted to every part of the region – not just the larger population centres.

A key driver for positive population and economic growth trends in the Highlands and Islands over the past two decades has been increased levels of in-migration to the region. Between 2005 and 2015, the region's population increased by some 4.7% (to 468,400).

Recent data on non-UK born Highlands and Islands residents is limited for most parts of the region, but figures from ONS for Highland Council estimate that the number of non-UK born residents increased from 7,000 to 10,000 in the ten years to 2015 – accounting for around 20% of total estimated population growth in the local authority over that period.

EU citizens account for a large majority of all new migrant workers to Scotland, and in the Highlands and Islands the proportion has been higher still. For example, last year in Scotland some 74% of all national insurance number registration for migrants were from EU citizens, while in the Highlands and Islands the share was 86%, according to figures from the UK Department of Work and Pensions.

Highlands and Islands businesses feel that free movement of people is important both for their business and for Scotland as a whole:

- Almost two fifths (39%) of businesses felt that free movement of people across the EU was important for their business, rising to 54% for businesses with 25+ employees, 53% for account managed businesses and 57% for tourism businesses[97] ;
- Three quarter (75%) of businesses feel that free movement of people is important to the Scottish economy, rising to 81% for tourism businesses[98];
- 23% of businesses with staff employed non-UK EU nationals; 91% of these being permanent staff. Larger businesses and tourism businesses were more likely to do so[99];
- The mean number of non-UK EU staff employed was 2.7 - the mean number of all employees was 30.2. (almost 10% of H&I workforce are EU citizens)[100].

[97] Data from the Highlands and Islands Enterprise (HIE) Business Panel, July 2017
[98] HIE Business Panel, July 2017
[99] HIE Business Panel, November 2016
[100] HIE Business Panel, November 2016

CONCLUSION

This paper, together with the accompanying analytical annex, sets out the vital contribution that workers from other EU countries make to Scotland, to our economy, society and culture.

As the evidence demonstrates, the impact of migration from the EU and beyond to Scotland has been overwhelming positive. EU migration contributes to the wide pool of low, medium and highly skilled labour essential for employers and businesses across sectors in Scotland.

Migration also supports population growth, and our ageing population. In fact, migration is absolutely critical to ensuring sustainable population growth over the next 25 years. This contrasts with the picture across the UK a whole, where a combination of migration and nature change drive population growth. As the evidence in this paper shows, all of Scotland's population growth over the next 10 years is projected to come from migration.

Furthermore, migration supports rural communities and jobs, bringing essential labour to rural industries, and supporting public services including healthcare and schools.

The Scottish Government continues to believe that maintaining free movement of persons, as part of the single market, is in the best interests of the United Kingdom as a whole, and of Scotland. The evidence that we have provided, drawn from across the Scottish economy, supports this view. EU citizens make a vital contribution, and their right to live, work, study and invest here must be protected.

Future Migration Scheme

It is vital that we are able to continue to welcome here those who wish to make a contribution to Scotland, in order to meet both our demographic and economic needs.

The clear position of the Scottish Government is that Scotland and the UK's best interests are served by continued membership of the European single market, allowing them to continue to benefit from free movement of people. This was explored in our paper "Scotland's Place in Europe", published in December 2016, which also set out how free movement of people could continue in Scotland even if the UK were to leave the single market[101].

Scotland is a progressive, outward-looking nation. We recognise that migration strengthens our society and our nation benefits from the skills, the experience and

[101] "Scotland's Place in Europe" available at http://www.gov.scot/Resource/0051/00512073.pdf

the expertise of those individuals who have chosen to live, work and study in Scotland. Future migration systems should ensure that Scotland is able to continue to welcome those who want to study, live, work and raise their families here.

The intention stated by the MAC to look at regional systems of immigration is welcome, and we agree with the need to examine how devolution or differentiation can ensure migration patterns of the sort that Scotland particularly needs: working-age people coming to the country to take up permanent work, and raise families here through long-term settlement in their communities.

Given the UK focus solely on the economic contribution of migrants, however, it is increasingly clear that UK policy does not and cannot address the demographic and social needs of Scotland.

Our Programme for Government “A Nation with Ambition: The Government’s Programme for Scotland 2017-2018” includes a commitment to publish a series of evidence based discussion papers setting out the case for further extending the powers of the Scottish Parliament in a number of key areas including in relation to immigration. We will shortly publish a paper setting out why it is vital to our economy to be able to attract talent from across the world; why the current UK Government policy is so harmful to Scotland’s interests; and how a more flexible approach to immigration with more power for the Scottish Parliament could operate.

There is broad agreement across political parties in Scotland that there needs to be a different approach to migration. In Westminster too, the All-Party Parliamentary Group on Social Integration argue in their report of 25 August 2017 that responsibility for immigration should be devolved. The Scottish Affairs Committee, too, in their report on the ‘Demography of Scotland and Implications for Devolution’, have also underlined the need for tailored immigration policies.

While immigration remains reserved, there are changes to the UK-wide policy and systems that would benefit Scotland and other parts of the UK. The UK Government should abolish their net migration target; or at the very least, migration to Scotland should not be included within the target. International students in the UK should also not be included in the net migration target.

The UK Government should abolish the Immigration Skills Charge, which is an unhelpful burden on employers seeking access to the best skills and talent across the world.

Within the current system, a more flexible and responsive approach to the existing mechanism of the Scotland Shortage Occupation List and reinstatement of the withdrawn routes to post-study work for international students are straightforward measures the UK Government should introduce immediately.

Case study three: Fresh Talent

In 2005, Scotland's Fresh Talent: Working in Scotland Scheme (FT:WISS),was introduced against a background of growing concerns about the demographic challenge facing Scotland, as well as skill shortages in the Scottish economy[102]. The Scheme attracted students to study in Scotland, and to remain here to live and work for two years after graduation.

The Scheme was viewed across sectors as a success and evidence showed that FT:WISS was an effective means of attracting prospective international students to consider Scotland as a place to study[103]. Home Office data demonstrates that between 2005 and 2008, 7,620 non-EEA students were granted visa extensions under FT:WISS[104]. The UK Government took the decision to mainstream the Scheme across the UK, by first launching the International Graduate Scheme (IGS), as described above, and then by mainstreaming both IGS and FT:WISS into Tier 1 of the UK Government's Points Based System (PBS).

There is consensus in Scotland, amongst business, education and every political party represented in Holyrood that we need a return of the post study route to allow talented students to remain and contribute to the Scottish economy. Our calls for its reintroduction have been backed by colleges and higher education institutions across Scotland, sector bodies and more than 60 businesses.

We are disappointed that, to date, the UK Government has not honoured the recommendation in the Smith report to explore a potential post-study work route to ensure Scotland continues to attract and retain talent from around the world, and indeed appears to have ruled out a return of a Post Study Work Visa, without meeting with Scottish Ministers or stakeholders.

[102] Cavanagh, L., Eirich, F. and McLaren, J.G. (2008) *Fresh Talent: Working in Scotland Scheme An Evidence Review,* Scottish Government: http://www.gov.scot/Resource/Doc/235857/0064664.pdf
[103] Cavanagh, L., Eirich, F. and McLaren, J.G. (2008) *Fresh Talent: Working in Scotland Scheme An Evidence Review,* Scottish Government: http://www.gov.scot/Resource/Doc/235857/0064664.pdf
[104] Entry Clearances: Overseas Students Written Parliamentary Question 215803 (2014) asked by Paul Blomfield MP on 25 November 2014. Answered 2 December 2014: http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-11-25/215803/

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