THE DEMOGRAPHY OF SCOTLAND AND THE IMPLICATIONS FOR DEVOLUTION — EVIDENCE FROM POPULATION MATTERS[i]

Key Points

- **Scotland's population is growing, but more slowly and ageing more quickly than the remainder of the United Kingdom.**
- **Scotland has lower fertility than the remainder of the United Kingdom.**
- **Both the United Kingdom and Scottish populations are consuming ecological resources at an unsustainable rate.**
- **The focus should be on managing the transition to a sustainable, stable population with a different demographic profile, not on trying artificially to maintain an existing demographic profile.**
- **Responses to demographic change require long-term policies and plans.**
- **Population must be given more attention in government through the appointment of senior ministers who have responsibility for this across departments.**
- **Policies to encourage more efficient use of the existing labour pool and to reduce unintended pregnancies should be introduced.**
- **The Scottish Government has significant policy levers; however, the devolving of powers over employment should be considered because of the differing nature of the demographic challenges in Scotland and the remainder of the United Kingdom.**

Reasons for Revision

A first version of this evidence paper was submitted to the Scottish Affairs Committee in February 2016. Since this time, new population data for Scotland and the UK has become available, and the UK has voted in a national referendum to leave the European Union.

In light of these recent developments, Population Matters has decided that it is appropriate that we revise our evidence report, including the most recent data, and the impact that the EU referendum result is likely to have on Scottish and UK demographics.

This revised version also includes some small corrections in data. The previous submission should be disregarded.

Summary of Revisions

- The latest population figures for Scotland and the UK have been added.
- Instead of comparing Scotland's population and demographic trends to the remainder of the UK excluding Scotland, they are now compared to the UK as a whole including Scotland.
- The projected growth rate of the EU has been included for comparison.
- More detail has been given on how natural change and migration are affecting Scotland's population.
- Information on how fertility rates have affected current demographic trends has been corrected and expanded.
- A section has been added that looks at the effect the EU referendum result is likely to have on demographic trends.
- A recommendation is added that the UK Government set a cut-off date for guaranteed permanent residency rights for EU nationals residing in the UK.

Evidence

Population Matters is pleased to be able to provide the following evidence to questions raised by the Scottish Affairs Committee on the issue of the demography of Scotland and the implications for Devolution.

What are Scotland's demographic trends and how do they compare to the UK as a whole?

According to the latest Office for National Statistics (ONS) figures,[ii] the population of Scotland in mid-2015 was just under 5.4 million, which accounts for eight per cent of the UK's total population of 65.1 million. This was an increase of 25,400, which represents a 0.47 per cent increase in the population of Scotland. In the UK overall, the rate of increase was 0.8 per cent.

The new data also showed that between mid-2014 and mid-2015, the UK had the lowest rate of natural change since 2006, largely due to a substantial increase in deaths.[iii] This was mostly due to an increase in deaths from dementia and respiratory disease. In Scotland, there were more deaths than births, producing a natural decrease of 2,000 between mid-2014 and mid-2015, meaning that migration was entirely responsible for the population increase in this period.[iv]

The National Records of Scotland's (NRS) most recent data on the projected population of Scotland[v] [vi] estimates Scotland's population will rise to from 5.35 million in 2014 to 5.51 million in 2024 and to 5.7 million in 2039. This is an increase of seven per cent over the 25-year period. By comparison, the population for the UK is projected to rise from 64.6 million in 2014, to 70 million in 2024 and to 74.3 million in 2039. This is an increase of over 15 per cent over the same period.

The EU as a whole is projected to experience a three per cent increase in population between 2015 and 2040.[vii] Scotland's projected rate of population growth is therefore significantly closer to the EU average than it is to England's projected population growth (17 per cent from 2014 to 2039).[v]

The NRS estimates that in the next 10 years, natural increase (more births than deaths) will be responsible for 10 per cent of the population growth in Scotland, with the remaining 90 per cent due to net inward migration (57 per cent from overseas, 32 per cent from the remainder of the UK).[v] Since the population projection data was published in October 2015, the aforementioned natural decrease between mid-2014 and mid-2015 was anticipated, but following this, the NRS projects small amounts of natural increase until 2029. From 2029 onwards, the projections suggest death rates will exceed birth rates in Scotland, causing natural decrease. In the next 10 years in the UK as a whole, natural increase is projected to be responsible for 51 per cent of population growth, with the remaining 49 per cent due to migration.[viii] While the rate of natural increase for the whole UK is expected to slow down slightly between 2014 and 2039, it will still remain strongly positive.

The NRS estimates that were Scotland to have zero net migration, the population would decrease by 0.13 million between 2014 and 2039.[v] This is because migrants increase the rate of natural change, as a much greater fraction of migrants tend to be of childbearing age compared to the general population.[iv] In the UK as a whole, if zero migration is assumed the population would still increase by 3.1 million in the same time period.[viii]

The number of children[ix] in Scotland is expected to remain relatively constant: between 2014 and 2024, the number of children is projected to rise from 0.91 to 0.93 million, before falling to 0.92 million by 2039.[v] In the UK as whole, the number of children is projected to increase from 11.4 million in 2014 to 12.3 million in 2039 — an increase of 8.8 per cent.[viii]

The NRS projects that the number of people of pensionable age[x] in Scotland will decrease slightly from 1.06 million in 2014 to 1.01 million in 2020, before rising to 1.36 million in 2039, an increase of 35 per cent.[v] The number of people aged 75 and over is expected to rise from 0.43 million to 0.8 million in 2039, an increase of 86 per cent. The figures for the UK as a whole project a rise from 12.4 to 16.5 million pensioners between 2014 and 2039, while the population aged over 75 is projected to rise from 5.2 to 9.9 million in the same period — an increase of 33 per cent and 90 per cent respectively.[viii]

So far as the demographic structure of Scotland is concerned, the dependency ratio[xi] of Scotland is projected to increase from 58 dependants per 100 working population in 2014 to 67 per 100 in 2039. By contrast, the UK's dependency ratio was 31 per 100 working population in 2014 and is projected to rise to 37 per 100 in 2039.[viii]

In summary:

- Scotland's population rose between mid-2014 and mid-2015 despite deaths exceeding births.
- Scotland's population is growing slightly faster than the EU average, but significantly less quickly than England or the UK as a whole.
- Population growth in Scotland is almost entirely due to immigration, compared to the UK, which has a balance between natural increase and immigration.
- Scotland's population is ageing at a similar rate to the UK, but is ageing relatively faster as a result of lower rate of increase in children under the age of 16.
- There is a significantly higher dependency ratio in Scotland.

What accounts for any differences in these projections?

An implication of the higher dependency ratio in Scotland is that the percentage of women who are of child-bearing age is relatively lower than in the UK. This partially explains why Scotland's natural change is projected to be lower than the UK's.

Lower average fertility within the population is also a significant factor. It is very difficult to assess the number of children that women in their twenties or younger are likely to end up with, but average family size in Scotland has been consistently lower than other countries in the UK. Scottish women born in 1970 have an average of 1.74 children; their English counterparts have an average of 1.91 children, while Welsh and Northern Irish women of the same age have 1.94 and 2.11 children on average respectively.[xii] Based on these historical numbers, the long-term assumption made in the population projections is that the UK fertility rate will be 1.90 in England and Wales, 2.00 in Northern Ireland, and only 1.70 in Scotland.

How might the EU referendum result impact demographic change in the UK and Scotland?

The population projection data for Scotland and the UK was published in October of 2015 based on population figures in mid-2014. While the mid-2015 population data is in line with the projections, none of this data accounts for the outcome of the UK referendum on EU membership held on June 23rd 2016. The decision to leave the EU is likely to impact the demography of Scotland and the UK.

In the long-term, the effect that the referendum result will have on the demography of the UK and Scotland is very uncertain. There is currently no timetable for when the UK will exit the union, and no clearly defined negotiation strategy. As a result, it is very difficult to predict what the UK's agreement with the EU will look like, when it will come about, and what effect this agreement will have on migration and demographic changes.

It is more possible, however, to comment on likely impacts in the short-term. A recent report by the Home Affairs Committee[xiii] has noted that any move to tighten immigration controls is likely to result in a spike in immigration prior to the new rules being implemented, and there may be an influx of immigration as non-UK citizens may seek to move to the UK in anticipation of more restrictions being implemented when the UK exits the union. This means that a somewhat greater increase in population from migration in the UK and Scotland may be expected in the short-term as a result of the referendum.

To what extent are Scotland's demographic forecasts successfully captured by public policy considerations at a devolved and UK level? What more could be done?

Both the population of the Scotland[xiv] and the UK[xv] use more ecological resources than can be regenerated in their land area. This leads to both Scotland and the UK taking more than their fair share of resources globally, which will reduce the opportunities for developing countries to sustainably improve conditions for their citizens in line with the Sustainable Development Goals. The consequences of demographic change in the UK and Scotland are felt internationally. The Select Committee and the Scottish Government should be considering the implications for long-term economic, social and environmental sustainability as part of its investigation.

While there is understandable concern about the practical problems of coping with a changing demographic structure, the failure to incorporate the environmental implications of demographic change is a significant omission in public policy.

Population change takes place over long periods of time. The policy response must take a similarly long term view. Long term planning in the UK generally is a significant weakness.

The differences between the demographic changes in Scotland and in the remainder of the UK strongly suggest that separate policy approaches may be required.

The implications for food security of the projected demographic change in concert with the implications of climate change are not considered in policy. This is particularly important for Scotland, where only eight per cent of the land is deemed suitable for arable use.[xvi] In the remainder of the UK approximately 25 per cent of the land is suitable.

The assumption that the only way to deal with the demographic change and maintaining a healthy economy in Scotland is by encouraging population growth must be challenged. An increasing population may temporarily increase GDP, but in the long term it means that resources are consumed at an even more unsustainable rate.

The ageing of the Scottish population creates an understandable concern that the historical pattern of younger generations caring for the old will come under threat. Increases in life expectancy and reductions in birth rates means more elderly people and fewer younger ones to either care for them or contribute towards pension provision. This is a new policy concern for Scotland and the UK; however, other countries within Europe and globally have faced similar problems. Increases in longevity due to improvements in healthcare and nutrition should be welcomed, as it means many more years of active and healthy life. However, it also means more years of being dependent on some level of care. Long term policy solutions that do not rely on increased population growth are necessary here, such as increasing the state pension age, and healthcare policies that aim to minimize the number of years that older people suffer from chronic illnesses, so they can live healthier, more productive lives.

Migration is an integral part of the policy issue. Where regional free movement of labour agreements exist, this must be coordinated regionally (for example, between Scotland and the remainder of the UK, and the UK and the European Community).

Preparations must be made for the potential short-term spike in immigration following the EU referendum. Particular care must be taken with EU nationals who currently reside in the UK, whose right of permanent residence in the UK is uncertain. We concur with the Home Affairs Committee recommendation[xiii] that the UK Government should end this uncertainty as soon as possible, and set a cut-off date for guaranteed permanent residency rights to reduce uncertainty and minimize the extent of an immigration surge.

Consumption per capita (as evidenced by the unsustainable ecological footprints of both Scotland and the UK as a whole) must be addressed as part of the demographic issue. It is self-evident that the more people there are consuming resources at any given level, the more unsustainable this will be. This could be addressed through a mixture of fiscal and economic incentives and disincentives.

To what extent can the Scottish Government or the UK Government influence Scotland's demography?

Public policy can play a significant role in influencing demography. However, this should be focused on managing the transition from a growing to an ultimately stable, sustainable population size. Population is an important factor in all economic, social and environmental issues. It must be treated with appropriate gravity.

We urge you to consider the following policies:

- The implementation by Scotland and the UK governments of the recommendation of the Population Panel[xvii] that senior Ministers be appointed to be specifically responsible for population-related issues across government departments.
- The extension of family planning advice and education to reduce unintended pregnancies.
- Reducing and ultimately phasing out subsidies for larger families, except for those in need.
- Making more efficient use of the existing potential labour force:
    - The provision of support to women to enter or re-enter the labour market after having children.
    - Improved training for the unemployed and low-skilled workers to enable them to enter or re-enter the labour market.
    - Encouraging flexible and part-time working suitable for older citizens and parents.
- Introducing fiscal incentives to encourage the more sustainable use of resources.
- The UK Government should clarify the position of existing EU citizens who are currently living in the UK on a permanent basis.

Does the Scottish Government have adequate policy levers to attract and retain people of working age to Scotland?

We suggest that this question is focused on the wrong issue. It should rather address the issue of managing a change in the demographic profile of Scotland while achieving a stable, sustainable population. This should include maximising the opportunities for the existing potential labour force within Scotland.

The Scottish Government has significant public policy levers, which it could use to achieve this aim. These include control over:

- the education and training system
- health and social services in Scotland
- economic development
- environmental policy
- a significant element of taxation, when implemented.

The most significant non-devolved power is that concerning employment law. It is possible that the differing demographic pressures in Scotland might require different approaches to employment. It is recommended that the Select Committee consider the need for devolving employment law to the Scottish Government.

The other major factor in population growth is immigration. Immigration policy is reserved to the UK. However, as the major part of immigration comes internally from within the European Union, there is only very limited opportunity to influence that in any case, and there seems to be no case for the Scottish Government to have powers in this area.

Should demographic trends (beyond just a share of population) be a factor in determining the funding settlement across the UK?

It is clear that overall population figures are insufficient for allocating resources across the UK. The dependency ratio, the number of children of school and college age, people of pensionable age and those aged 75 and over, who may be expected to have a greater call on health and social services are all relevant factors that should impact decisions on resource allocation.

What impact are Scotland's demographic trends forecast to have on (a) Scotland's economy and (b) the provision of services in Scotland?

The impact of demographic change on Scotland's economy is highly dependent on approaches to investment to improve productivity, both by capital investment and by investing in Scotland's workforce to improve access to employment. This requires more investigation, however, it should not be automatically assumed that the answer to maintaining and improving Scotland's economy is through importing people of working age.

The provision of services in Scotland will have increasing weight towards supporting an elderly population. The view that to look after ever more old people we need ever more young people, who will grow old in turn and need yet more still to support them when they retire, is an ecologically unsustainable social pyramid scheme. This benefits the present generation at the expense of the next.

[i] Registered in England and Wales as Charity No 1114109

[ii] Office for National Statistics. (2016, June 23). *Population estimates for UK, England and Wales, Scotland and Northern Ireland: mid-2015*. Retrieved August 31, 2016, from https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2015

[iii] ONS Digital. (2016, April 7). *Dementia/Alzheimer's and respiratory disease behind biggest annual increase in deaths since the 1960s* (Office for National Statistics). Retrieved August 31, 2016, from http://visual.ons.gov.uk/dementiaalzheimers-and-flu-behind-biggest-annual-increase-in-deaths-since-the-1960s/

[iv] National Records of Scotland. (2016, April 28). *Mid-year population estimates Scotland, mid-2015 and corrected population estimates for mid-2012, mid-2013 and mid-2014*. Retrieved August 31, 2016, from http://www.nrscotland.gov.uk/files//statistics/population-estimates/mid-15-cor-12-13-14/mype-2015-corrections-for-12-13-14-correctedb.pdf

[v] National Records of Scotland. (2015, October 29). *Projected population of Scotland (2014-based): National population projections by sex and age, with UK comparisons*. Retrieved August 31, 2016, from http://www.nrscotland.gov.uk/files/statistics/population-projections/2014-based/pp14.pdf

[vi] In the most recent population estimates (see note ii), the NRS became aware of some small errors in the population figures for 2014, and made some corrections. However, the errors were very small (less than 0.1 per cent in all council areas) and as such had no impact on any of the 2014 numbers we reference from their population projections.

[vii] Eurostat. (2016, August 11). *Population projections*. Retrieved August 31, 2016, from http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00002&plugin=1

[viii] Office for National Statistics. (2015, October 29). *National population projections: 2014-based statistical bulletin*. Retrieved August 31, 2016, from http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2015-10-29

[ix] Children are defined as those aged under 16.

[x] These figures take into account changes in the State Pension Age (SPA) set out in the 2014 Pensions Act. The SPA in 2014 was 65 for men and 62 for women. The SPA for women has been rising since then: it is currently around 63, and will have risen to 65 in 2018. The SPA for both men and women will then rise to 66 between 2019 and 2020, before rising from 66 to 67 between 2026 and 2028.

[xi] Defined here as the number of those aged under 16 and the number of people of state pension age and over per 100 people of working age.

[xii] Office for National Statistics. (2015, October 29). *Compendium: Fertility assumptions*. Retrieved August 31, 2016, from http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/compendium/nationalpopulationprojections/2015-10-29/fertilityassumptions

[xiii] Home Affairs Committee. (2016, July 27). *The work of the Immigration Directorates (Q1 2016): Report*. Retrieved August 31, 2016, from http://www.publications.parliament.uk/pa/cm201617/cmselect/cmhaff/151/151.pdf

[xiv] WWF Scotland. (2009, January) *One planet Scotland: Measuring our ecological footprint*. Retrieved August 31, 2016, from http://assets.wwf.org.uk/downloads/efbriefing_jan2009.pdf

[xv] Data from Global Footprint Network. Retrieved August 31, 2016, from http://www.footprintnetwork.org/en/index.php/GFN/page/trends/united_kingdom/

[xvi] McAuley Land Use Research Institute. (2014, August 12) *Land capable of supporting arable agriculture (class 1 to class 3.1)*. Retrieved from http://www.macaulay.ac.uk/explorescotland/lca-arable.html

[xvii] Population Panel (1973) *Report*. Cmnd. 5258 London, HMSO.