



POPULATION PATTERNS

Seminar Series



Scottish Independence

As the deadline for the Scottish referendum on independence looms, there is greater emphasis on what an independent Scotland may look like and how it will deal with a problem that is yet to play out for all countries: an ageing population.

As part of a broader demographic series by the International Longevity Centre-UK (ILC-UK), supported by Partnership Assurance Group entitled Population Patterns, this paper looks at the demographic change in Scotland and how it can be managed by government; independent or otherwise.

#PopulationPatterns aims to identify the influences on and changes in demographics in the UK, particularly the impact of and on an ageing population. By engaging in high quality debate about future demographics in Britain and how we respond to changing needs and challenges, ILC-UK and Partnership aim to influence better decisions in the way government, individuals and financial services companies plan for older age and help support consumers throughout the changing landscape of their lives.

How do Scottish demographics compare to UK?

The population of the UK totalled 63.7 million as of June 2013 and Scotland makes up a not insignificant part of that, totalling 8.3%. This puts the population of Scotland at 5.3 million as of the last Census, the highest ever recorded.

After the population of England, currently 53.5 million, Scotland is the largest population in the UK, followed by Wales and then Northern Ireland so a 'yes' vote for independence will have a significant effect on not just the UK but also for an independently operating Scotland.

Although much is made of the difference in demographics between England and Scotland, particularly around life expectancy and in relation to state pension payments, the two are actually closely aligned.

Partnership analysis into which OECD countries have the most similar trends in life expectancy over a 50 year period from 1960 to 2009 revealed that out of 28 countries, England & Wales and Scotland were most similarly matched for men and ranked 8th most similarly matched for women.

What will Scotland's demographics look like in the future?

The population in Scotland is increasing but at a slower rate than the UK as a whole. In the decade between 2012 and 2022, the National Records of Scotland (NRS) predicted the population will increase to 5.52 million.

Of this increase, 28% of it will be natural growth in population and 72% will be net migration.

NRS also predicts that 500,000 more households will be created over the next 25 years.

As longevity increases, all countries will see increases in older proportions of the population. In Scotland and England & Wales this proportion of the population is increasing almost in-line. By 2035 the percentage of the population aged over 75 in England & Wales will be 12%, and in Scotland it will be 13%.

According to NRS the dependency ratio, the number of working people in relation to each pensioner, will be roughly the same although by 2037 the working population in Scotland is expected to be 3.5% lower than in 2013.

The trend for longer lives and ageing populations will undoubtedly put pressure on governments' already overstretched budgets as they pay out state pensions for longer and cope with the increasing stress on health, social and long-term care that is an inevitable consequence of living longer.

The factors affecting Scotland

If an independent Scotland is going to cope with the challenges and demands of shifting demographics within its population, it will need to focus on four key factors affecting the composition of the population, according to demographic experts.

Fertility

Scotland lags behind all other parts of the UK in terms of fertility as women have fewer children and choose to have them later in life, although this is not a problem unique to Scotland.

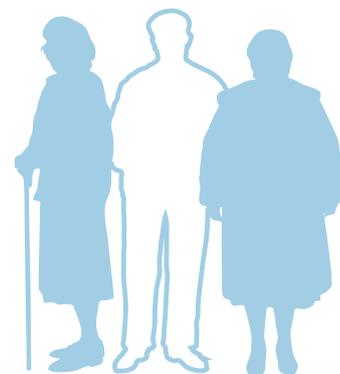
Women in Scotland have the lowest rate of births, with an average of 1.67 children, compared to 1.94 in England, 1.88 in Wales and 2.03 in Northern Ireland.

However, it is not all negative news. Although Scotland may have the lowest fertility rate in the UK, when compared with the rest of Europe it actually sits just higher than average at around 1.6.

Migration from accession countries, which joined the European Union in 2004, is helping to improve fertility rates as births to women from accession countries makes up the majority of births to non-Scottish born mothers. In 2003 there were slightly more deaths than births but since the 2004 accession this has reversed.

[A] vote for change...will have profound changes on how Scotland handles it demographics

Tim Ellis,
Keeper of the Records
of Scotland



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Migration

Migration plays a large part in the demographic shift in Scotland and the UK as a whole, and not just in the context of fertility and birth rates.

It is already predicted that growth in the Scottish population over the next decade will be met in the majority by net migration, in short there will be more people entering than leaving Scotland.

One of the key points for Scotland is how to attract more migrants as it is still an outlier when put in the context of the UK. Despite high income per head Scotland has attracted far fewer migrants than other places in the UK and has a lower level of foreign-born population.

Ageing

Living longer is widely acknowledged as a positive improvement that should be welcomed but an ageing population puts inevitable pressure on other related services.

By 2037 the average age in Scotland will rise to 43 from 41.5 today, but could be as high as 47 depending on a combination of assumptions such as low fertility, low immigration and higher life expectancy.

While Scotland is often praised for the joined up thinking behind its health and social care systems, there is no denying that an increase in older demographics will be a stressor for these areas. The implications of increasing need for long-term care also need to be engaged with and addressed.

Spending per head is already higher in Scotland than the UK as a whole. In 2011/12 the cost stood at £12,629 per person, compared to £11,381 for the whole of the UK.

Paying for this spending, and any increase in spending, could be difficult if, as predicted by the Institute of Fiscal Studies changing demographics and slowing oil revenues will mean public sector net debt exceeds 100% of national debt by 2033/34 in an independent Scotland.

Healthy life expectancy

The average Scottish man currently has a life expectancy at birth of 76 and a woman of 81. There has been much focus on the disparities between life expectancies in England versus Scotland and the fact there is a 13.3 year difference between men living Glasgow (71.1 years) and Kensington and Chelsea (84.4 years).

However, there is arguably a more pressing problem: inequality within healthy life expectancy.

As a general rule, areas with the best life expectancy can also expect to have more years of disability-free life expectancy, meaning as Scotland ranks lower on the former it will rank lower on the latter.



By 2037 the average age in Scotland will rise to **43** from **41.5** today, but could be as high as **47**.

We need to look at health and mortality alongside each other because the risk factors for ill health are often the same as mortality

Professor Carol Jagger,
AXA professor of epidemiology of ageing,
Newcastle University

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Of the 32 regions in Scotland, 31% have an average age of onset of disability below 50 years old. This means they either retire from the workplace early, and are financed by the state, or employers are forced to adapt to workers health needs.

Ill health not only takes individuals out of the workplace, meaning fewer people are contributing to the economy, but in some cases they require other family members to care for them, having a knock-on effect.

Does the vote matter?

Historically, economically and politically the vote on Scottish independence is clearly important but demographically the vote, and its outcome, is less important.

The demographic changes and trends in ageing and population make-up cannot be reversed and increasing longevity will have to be addressed by the next government, whether it is independent of the UK Parliament or not.

It will be the way in which the demographics are handled by an independent government that is important, rather than the fact these demographics are changing.

The radical shifts in demographics must be addressed and the challenges acknowledged in order for Scotland, in whatever guise, to be able to deal with a population that is considerably older and needs more help, and the additional spending that accompanies that.

But Scotland can have some say...

While little can be done to change demographics when it comes to ageing, immigration policy can be a large determiner of what happens to Scotland's age structure.

While no government can influence people living longer, their lifestyles or how many children they choose to have, immigration is susceptible to policy change. An independent Scotland could determine its own immigration policy, and a less stringent policy would encourage more working age migrants leading to an increase in tax receipts and the dependency ratio.

Demographics experts agree migration policy is the one area which government can influence and according to recent polls Scotland is less hostile to immigration than England and those who plan to vote for independence are more likely to welcome increased immigration than those who will vote against

Whatever happens the Scottish population will increase and the age [of the population] will increase regardless of the referendum. Policy can influence each component but migration will have the biggest effect

Kirsty Maclachlan, National Records of Scotland head of demography division

Scotland may favour a more open approach to immigration whether it is independent or not but independent policy may have stronger policy levers

Professor David Bell, University of Stirling professor of economics



Points to consider

- Demographic problems are not unique to Scotland, it is a challenge to all developed countries in developing policy
- Scottish politicians, irrespective of a referendum, cannot ignore the impact an ageing population will have on public finances and demographic make-up
- Migration could be key to solving the problem of an ageing population and this will have to be taken into account in the development of immigration policy
- Scottish politicians will have to tackle the health inequalities, and therefore longevity inequalities, that exist across Scotland



Final thoughts

The challenges of an ageing population are affecting all developed countries and Scottish politicians will have to make sure these challenges are addressed through a policy framework, regardless of whether the referendum produces an independent Scotland or not. They will also have to consider the health and longevity inequalities that persist across Scotland and develop policy to address and counter them, using proactive means to reduce inequality.

If Scotland does vote 'yes' to independence there could be an opportunity to address the balance in demographics through migration policy that would boost the number of working age people.

Population patterns

Over the rest of the year ILC-UK, supported by specialist insurer Partnership Assurance Group, will undertake a series of events exploring the impact of demographic change on public policy. The Population Patterns series, #populationpatterns, will look at the long-term challenges demographic change will have for government, especially age-related expenditure.



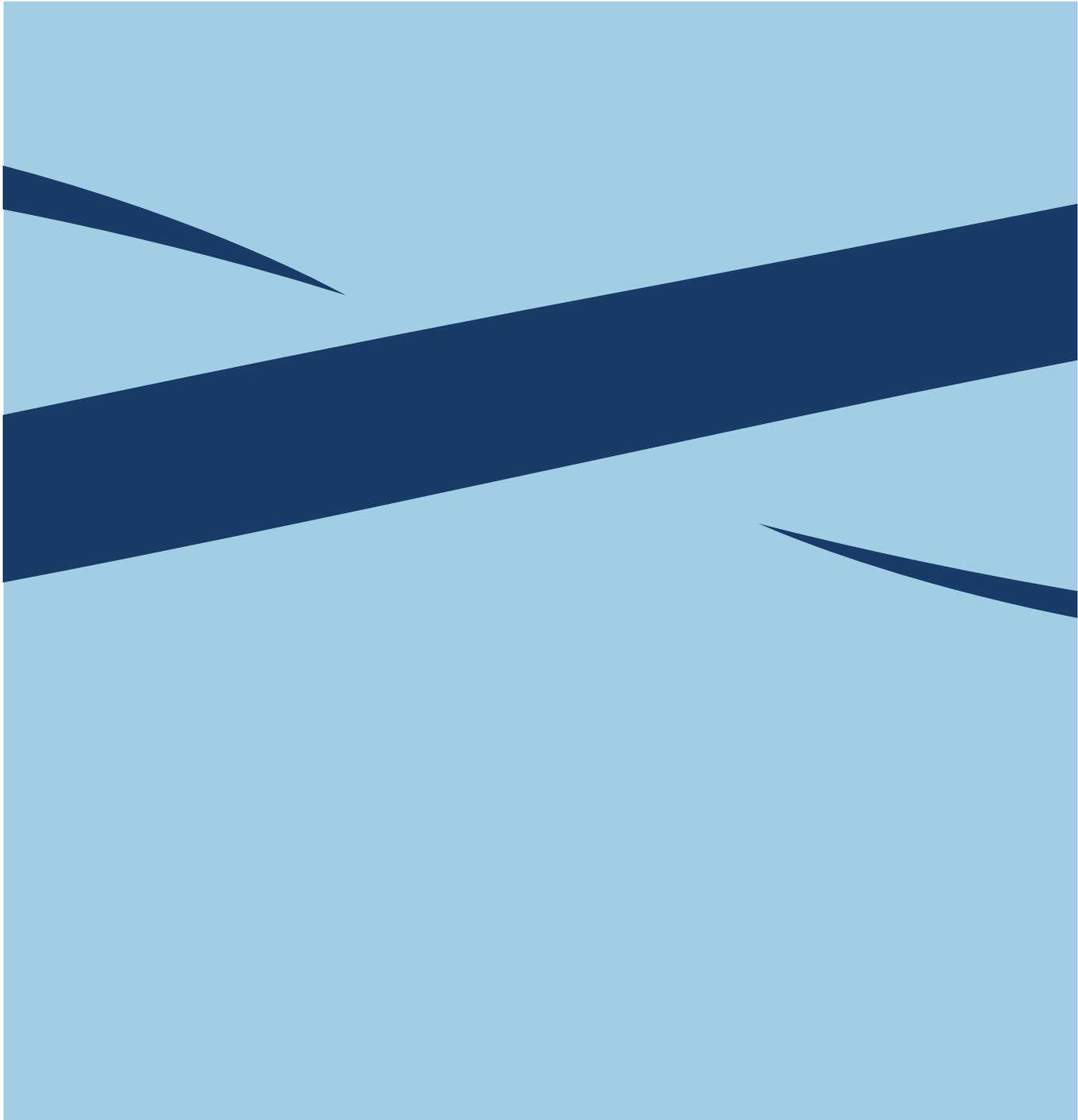
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