Executive summary

Finland has a short history of hosting migrants and, while the number of foreign-born individuals residing in Finland remains small by international standards, growth – in per capita terms – has been amongst the fastest in the OECD. Over the last quarter of a century, Finland’s foreign-born population has been growing at a compound annual rate of 6.8%; where the foreign-born accounted for just 1% of the Finnish population in 1990, in 2016 they accounted for close to 6.5%. Despite this rapid growth, the foreign-born population in Finland remains among the smallest of all OECD countries.

New challenges emerged in 2015, when Finland received requests from 32,000 individuals seeking asylum. This was equivalent to 6.6 asylum seekers for every 1000 of the Finnish population, nearly 8 times the figure the previous year and the largest percentage increase of all OECD countries. Not everyone will obtain asylum however, and, of the asylum decisions made in 2016 in Finland, only 27% were positive. Furthermore, inflows have since fallen dramatically, and 2017 saw asylum applications fall to levels below those seen prior to the crisis. Despite this, the elevated numbers of the 2015 inflow have put, and will continue to put, a heavy strain on an integration system designed to support far fewer refugees.

The recent nature of immigration to Finland has meant that the country has had to adapt, in a relatively short period of time, from policies designed to integrate a small number of arrivals in a, more or less, ad hoc manner, to a holistic approach. What is more, Finland is only now emerging from a protracted recession. Unemployment stood at 8.7% in the final quarter of 2017 and, as early signs of growth remain frail, the country is struggling to find the fiscal space to fund the cross-cutting investments into integration that have been made elsewhere in the OECD in response to the large humanitarian inflows of 2015/16. In this context, and given the fact that migrant inflows are likely to be relatively small and volatile going forward, it will be important to ensure the Finnish integration system is flexible and responsive. Fixed costs must be kept to a minimum, but integration investments, which are likely to pay long-run dividends across generations, must ensure that no migrant falls through the cracks.

Since 1999, integration policy in Finland, as in other Nordic countries, has been centred around the use of personalised integration plans which generally last for two to three years. The aim of these plans, which are drawn
up by local employment offices, is to build a tailored package of training measures to ensure that migrants are directed to programmes that are appropriate to their specific skills, experience, and needs. In practice, however, there is a heavy emphasis placed on language training which accounts for close to two thirds of the maximum 2100 hours of integration training for new arrivals.

There remain, however, important dead-ends within the system. In the first place, despite the heavy emphasis of initial training on language learning, language outcomes have been poor. And these poor outcomes compromise access to further employment services. By the end of the language courses provided under the integration training, in 2016 more than four in every five participants failed to attain the grade necessary for entry into vocational training (B1.1), and close to 60% of participants failed even to achieve the level necessary to gain access to preparatory education for vocational training (A2.2). Poor language skills can leave migrants isolated, and their integration path blocked and nowhere is this more true than in Finland where the Uralic roots of the language render it among the more difficult languages to learn. Blocked from access to further education by poor language skills, many of Finland’s most vulnerable migrants struggle to enter a labour force in which fewer than 6% of workers are employed in low-skill occupations. And, in 2015, close to 2 in every 5 participants of integration training fell into unemployment or left the labour market entirely at the end of their training.

A further dead-end is produced by an early separation of the integration pathways of the active from the inactive. In Finland, the inactive are directed for their integration support, not to employment services, but to the municipality. This early separation can have long-lasting consequences, rendering it difficult for those who are temporarily outside the labour force shortly after arrival – many of whom are women – to find their way back to employment. Indeed, employment rate disparities between comparable native-born and foreign-born women five years after arrival in Finland, at 40 percentage points, are nearly double the employment rate disparities among men. These disparities are even larger among women with children, and take 15 years to narrow to those seen among men. To close this gap, foreign-born women must systematically be given opportunities and incentives to participate in labour market-oriented integration programmes, to ensure they do not become isolated – both socially, and from the world of work.

Participation rates among foreign-born women in Finland are also stymied by the availability of the Child Home Care Allowance (CHCA). This allowance, granted when a child under three years of age is looked after at home, can render staying at home more financially advantageous than engaging in training or paid employment. While the CHCA is not targeted at
foreign-born women, their concentration in lower paid jobs means that the incentive to remain at home, engendered by the allowance, is likely to play more forcefully upon their choices. These choices risk having a lasting impact – on the integration outcomes of the women themselves, and also on those of their children. Indeed, though the benefits of day care, such as language and social learning, tend to be particularly pronounced for children from disadvantaged or migrant families, the children of foreign-born women in Finland are more likely to be cared for at home for longer spells. This is particularly marked among those children whose parents come from refugee-sending countries. While cash-for-care schemes can limit the cost of publicly-financed early childhood education, the long term costs, can be substantial – both for the mother, for the child, and for the economy. The CHCA should be replaced by child support that is not linked to pre-school attendance.

In 1990, foreign-born youth accounted for just 0.3% of the Finnish population aged under 17. In 2016 the proportion had increased tenfold. Over the same period native-born children of migrants grew from accounting for less than 0.1% of Finnish youth, to 4.6%. Many of these young people with a migrant background are struggling in school and, according to the OECD Programme for International Student Assessment, at age 15 close to half of foreign-born students in Finland (and 30% of the native-born children of migrants) fall below basic proficiency in mathematics. With just over one in ten native-born students falling below this level, the disparity in Finland is among the largest of all surveyed countries. Addressing these disparities as this population grows is now an urgent question. Increasing participation in pre-school education will be an important step in preventing disparities from developing, and systematic diagnosis of language difficulties should be introduced to ensure that early difficulties are addressed before they impede further learning. Newly-arrived young migrants must systematically be offered preparatory support prior to, and alongside, entry into mainstream education.

Partly in reaction to the refugee crisis, Finland has taken significant steps to reform integration system. Indeed, a rearrangement of integration training into a modular structure that took place in 2016 has the potential to increase efficiency of both language and labour market training. These ambitious changes, currently in the implementation stage, combine language modules with a diverse range of other activities, including on-the-job learning and work experience. Combining modules in this way will help migrants identify and address their real-world language needs and, if effectively implemented, has the potential to speed up the integration path and put Finland among the countries at the forefront of integration policy design. Implementing these changes in a manner that ensures modules are able to respond to the needs and aspirations of each migrant, and that the system creates no bottlenecks or
dead-ends will, however, require resources and careful monitoring and evaluation of both activities and outcomes.

Providing an integration infrastructure with the flexibility to provide sufficient services in times of high demand, while maintaining the ability to downsize as refugee flows – and concomitant course demand – fall, will require building upon existing structures. One resource, currently underutilised in Finland, is the structured environment provided by the workplace. A number of wage subsidy programmes are available in Finland. However, while these programmes have proven to be effective in integrating foreign-born jobseekers elsewhere in the OECD, in Finland, in 2015 only 6.9% of foreign-born jobseekers benefited from these programmes, compared with 23.4% of native-born. Participation is limited because, under the current rules, time spent in integration training does not count towards the unemployment duration requirements of these programmes, rendering them inaccessible to the foreign-born at a time when they would be most needed. This barrier should be addressed. Employers are well placed to understand the skills development needs of migrant workers and, beyond hiring subsidies, structuring support to employers to harness the workplace as a learning environment may help the integration system to remain flexible. Initiatives in this ilk have been pursued in other OECD countries and include: support for employers in identifying the skills of migrants, promoting informal learning through vocational language mentors at work, or providing public subsidies for employer-organised training.

Alongside changes in the integration infrastructure, the tight fiscal environment has prompted much thought into creative new models for integration policy design and finance. One such example, that has attracted much international attention, is the recently-launched Social Impact Bond (SIB), which has the ambitious goal of moving individuals into employment within four months of beginning the programme. The innovations of the bond are twofold. Firstly, on the policy front, the SIB pilots a training model in which short periods of integration training are interspersed with early employment; initial training is kept to a minimum, while subsequent interventions top-up skills deficiencies identified during employment. Secondly, on the financial front, the SIB pilots a model of private funding for integration process. According to this model, alongside the social return, investors see a financial return on their investment if the costs associated with the labour market integration of participants are below those of a comparable group who undertook traditional integration training. Initial setbacks, including a high drop-out rate, have prompted enhanced pre-programme screening and an increased focus on migrants resident in Finland for more than 2 years. Further evaluation, however, is needed to understand the causes...
and correlates of course interruptions and ensure that policy is modified appropriately.

More generally, the wider integration architecture in Finland fails to capitalise on much of the policy innovation – such as that of the SIB – due to the small-scale nature of many pilots, the paucity of data and the difficulties of conducting sound evaluations. Indeed, the stringent requirements regarding equality of access that are enshrined within the Finnish constitution render random assignment with public funds impossible.

Given the increasing foreign-born population in Finland, the integration infrastructure requires improvement on many fronts, indeed progress is already underway. However, to capitalise on the investment into creative policy design, Finland must pay urgent attention to data collection, monitoring and evaluation. Finland stands in stark contrast with its Nordic neighbours in that, despite having high-quality register-based data covering the native-born population, critical information – such as education – is very poorly covered among the foreign-born population. Furthermore register-based data is accessible only with a four year lag. In addition, national labour force data is not representative of the foreign-born population, and the snapshot provided by the 2014 ad hoc survey aimed to fill this gap is quickly becoming out of date. A more sustainable approach to collecting information on Finland’s foreign-born population would be to strengthen the register based data on the foreign-born population and to boost the sample for foreign-born individuals (as well as native-born individuals with foreign-born parents) that appear in the Labour Force Survey. It will also be important to ensure that data regarding the type of residence permit held is made available and linked to other data sources. Beyond this, as the country brings about far reaching reforms to the integration system, comprehensive data on integration activities and labour market training, matched with individual characteristics and eventual outcomes will be important to ensure that limited funds are directed to where they can be most effectively exploited.