Chapter 2

The integration outcomes of migrants in Finland

While employment rates among Finland’s native-born population consistently outperform the OECD average, among Finland’s foreign-born population, employment rates have fallen short of those achieved elsewhere. However, these average figures incorporate the outcomes of migrants with very different backgrounds, education and experience. They aggregate recent migrants with those who have resided in Finland for many years; those who arrived during boom, and during bust; the educated with the uneducated, the old with the young and men with women. They aggregate those who arrived from MENA, from southern Africa, or from Asia with those who arrived from elsewhere in Europe or North America. In order to try to pull apart some of these influences, the analysis of this chapter uses detailed administrative data to investigate the disparate integration pathways of Finland’s immigrant groups. Results suggest that while migrants from Estonians integrate quickly, other groups – particularly those from refugee sending countries – see lower employment rates for many years. Women, in particular, are struggling to integrate and many remain locked in inactivity for many years.
Foreign-born individuals in Finland are frequently trapped outside employment

Employment rates among Finland’s native-born population have consistently outperformed the OECD average for many years (Figure 2.1., Panel A). Contrastingly, among the foreign-born population, employment rates in Finland have fallen short of those achieved elsewhere in the OECD (Figure 2.1., Panel B). Furthermore, while the employment rates of the foreign-born saw substantial improvements between 2000 and 2009, they were particularly vulnerable to the faltering Finnish labour market since the financial crisis, and have fallen by more than five percentage points since 2009. While falling employment rates among the foreign-born are partially driven, mechanically, by the increasing number of new-arrivals in Finland over this period, the susceptibility of employment rates to the downturn, may also indicate that these foreign-born workers were situated in the most vulnerable jobs.

Figure 2.1. While employment rates of native-born Finns outperform the OECD average the opposite is true among the foreign-born

Percentage of working age population (for employment rate), of labour force (for unemployment rate), 15-64, 2000-16

Note: OECD refers to OECD pooled.

Box 2.1 Data covering migrants and their children in Finland

The majority of the international comparisons presented in this report rely on labour force survey data, including the European Union Labour Force Data, provided by Eurostat. This data, which is built upon the Labour Force Surveys conducted by national statistical institutes across Europe and centrally processed by Eurostat, has the advantage of being harmonised across countries and thus provides an important source for benchmarking labour market outcomes.

In Finland, however, concerns have been raised that the small sample and limited participation of the foreign born in the national labour force survey has limited the accuracy of statistics pertaining to the foreign-born population. These concerns have prompted the National Institute for Health and Welfare (THL), the Finnish Institute of Occupational Health (TTL), and Statistics Finland, to produce a special survey, The Work and Wellbeing Among Persons of Foreign Origin Survey, or UTH (Ulkomaalaisten työ ja hyvinvointi). The survey is, thus far, the most extensive population study to focus on people of foreign origin carried out in Finland. A total of 5 449 people of foreign origin, aged between 15 and 64 years, were randomly selected for the survey, out of which 66 % responded. As a result, where possible, results obtained from the Work and Wellbeing survey (UTH) are presented alongside those obtained from the harmonised labour force surveys.

Alongside survey data, this report – in parts – relies upon Finnish administrative data. Finland, like other Nordic countries, has a system of administrative registers that can be linked, through a personal identification number, to provide a wide range of individual-level information covering health, education and labour market outcomes.

The data used for the empirical analysis relying on longitudinal data in this report is based upon the full population sample of the FLEED (Finnish Longitudinal Employer–Employee Data) database for the years 1987-2013 (the latest available year). This dataset contains background information on population of working age, which can be combined with enterprise and establishment level data. Administrative data providing the full population sample was crucial for the analysis for a number of elements of the analysis. In the first place, where the focus is on the children of immigrants, the full population is essential to establish links between immigrant children and their parents. Furthermore, given that the size of this population started to grow only in the 2000s, reliable results that distinguish between childhood immigrants, and Finnish-born children of immigrants, requires the full population of these children. Lastly, where the analysis involves investigation of segregation at different regional levels the precision of estimates is also dependent on the full population.

In addition the empirical analysis also relies on linked register data from the individual-level student dataset, which provides the detailed level and field of study of the education and qualifications. Finally, the data is linked to the municipality and postal codes of the individuals’ workplace in order to control for neighbourhood and school effects, as well as to explore the extent of ethnic segregation of neighbourhoods and school choices (see, for example, Bernelius, 2013).

There are, however, a number of shortcomings of the Finnish administrative data that limit its use for integration research. In the first place, and most importantly, unlike in Sweden,
foreign qualifications in Finland are rarely recorded. Education plays a central role in determining integration outcomes and, as such, this shortcoming is highly restrictive. Where relevant, as a result, the analysis attempts to ascertain the robustness of results that do not control for education by restricting the sample of native-born individuals to those with a low level of education to give an approximate lower bound to estimated disparities. Clearly this approach is far from ideal. Nevertheless, it is important to note that, even where education data is available, the comparability between qualifications obtained in different countries is highly approximate.

A second shortcoming of the Finnish administrative data is that Finland does not currently link administrative data to information on the residence permit status of immigrants. As such, while some implications can be drawn from analysis on the basis of country of origin – the majority of migrants from Afghanistan, Iraq and Somalia are likely to be refugees or family members reunified with refugees – country of origin is unlikely to be sufficiently correlated with residence status among migrants from other countries. In particular, it is very difficult to distinguish between labour migrants and family migrants and, in some cases, refugees.

Notes: 1. In extensive population studies the response rate of vulnerable groups tends to be low. These groups include people with disabilities, unemployed people, people without language skills, and people with little education. 2. The UTH sample selection is based on the definition of people of foreign origin, which draws on a classification used by statistical authorities in Finland and the other Nordic countries. According to this classification, people of foreign origin are defined as those persons whose parents (or the only known parent) were born outside Finland and who themselves are born in or outside Finland. 3. While almost 1000 Russians obtained asylum in Finland between 2000 and 2015, for example, they and their families represent only a small fraction of the roughly 80 000 Russian immigrants living in Finland in 2015 (see Sarvimäki, 2017).
The speed and success of integration in Finland is strongly related to the origin of the migrant. Indeed, when breaking down average figures to take a closer look at the employment outcomes of particular nationalities, the heterogeneity between migrant groups is apparent (Figure 2.2). For instance, while Estonian and Swedish nationals have fairly similar unemployment rates to the Finnish nationals, unemployment rates among Iraqi, Somali and Afghan nationals are over 35 percentage points higher.

**Figure 2.2. Employment, unemployment and inactivity vary significantly with nationality**

Percentage point difference with native population, working age population, 2016

![Employment population ratio, Unemployment rate, Inactive](chart)

*Source:* Statistics Finland.

Much of the difference in integration pathways observed among migrants from different origins is likely to be driven by the reason for which they migrated. Indeed, as elsewhere in the OECD, integration success and labour market outcomes in Finland vary markedly across the migrant population with respect to the reason prompting their migration decision. In particular refugees tend to face considerable barriers to integration. This stems partially from the fact that those arriving for international protection are largely driven by push rather than pull factors, it stems partially from the fact that they have had little to no time to prepare for migration (in terms of collecting proof of qualifications and learning the language, etc.) partially from the health and educational consequences of their long journey to Finland, and partially from their lack of contact with Finland prior to arrival. Migrants from Somalia and Iraq are likely to have arrived under these circumstances, while this is not the case for those from the EU.
In contrast to labour migrants, who already have an employer upon arrival, refugees arrive without a job. And in contrast to those migrants who arrive to reunite with their family (who have, in recent years, made up the majority of permanent migrants to Finland) refugees often have no family links to their host country and more limited networks through which to orient themselves and access information. As a result, more than those who migrate for other reasons, refugees face a unique set of integration challenges. This is reflected in their employment rates (Figure 2.3).

**Figure 2.3. Migrants moving for international protection tend to have lower employment rates**

Employment rate by reason for migration among population aged 20-64, resident 5-10 and >10 years in Finland, 2014

![Employment Rate by Reason for Migration](image)

*Source: Work and Wellbeing among Persons of Foreign Origin Survey (UTH).*

Clearly there are many attributes highly correlated with reason for migration that may be driving the disparities highlighted in Figure 2.3. Unfortunately, however, micro-data on visa type is not currently available to researchers to link to administrative data. And, while the 2014 Ad Hoc Module of the European Labour Force Survey provides information on reason for migration, the figures obtained from the Finnish Labour Force Survey are not representative and differ markedly from those obtained from administrative sources. This has limited the research into this important area in Finland. Elsewhere, in Scandinavian countries, where administrative data is linked to permit data, studies have found that non-labour migrants tend to experience a relatively slow process of labour market entry and poor long-term outcomes (see Åslund, 2017, for research on Sweden, and Bratsberg, 2017, for research on Norway).
And migrant women in particular experience poor labour market outcomes

The poor employment rates of Finland’s foreign-born population are driven, in large part, by poor labour market outcomes among foreign-born women (Figure 2.4). Gender disparities in employment are marked among those born abroad while, among individuals born in Finland, they are among the lowest in all OECD countries.

Figure 2.4. Foreign-born women have particularly low employment rates in Finland

Percentage point disparity in employment population ratio of foreign and native-born, 15-64, by gender, 2015/16


The employment rate of native-born women, at 68.8%, is higher than the OECD average of 67.4%. Participation rates are higher, and unemployment rates are lower. Furthermore, the rate at which female employees work part-time is substantially lower than the OECD average, indeed, the share of part-time workers who are women in Finland, at under 60%, is amongst the lowest in the OECD – second only to Portugal.

The strong labour market participation of women born in Finland, however, is not mirrored among the foreign-born population. And, as in many OECD countries, women are particularly vulnerable to experiencing poor integration outcomes. This is true both of employment and participation rates, though the difference is particularly pronounced when it comes to participation. Indeed, while foreign-born men are more likely to participate in
the labour market than men born in Finland, participation rates among foreign-born women fall over 10 percentage points behind those of their native-born peers and disparities are particularly stark among those from outside the European Union (Figure 2.5). Among young women, between the ages of 15 and 34 inactivity rates reach over 37% – among the highest in the OECD (see Chapter 5).

**Figure 2.5. Foreign-born women from outside the EU fall a long way behind the native born**

Percentage point disparity in employment population ratio of foreign and native-born, 15-64, by gender, 2015/16

To the extent that employment rates are high among native-born women in Finland relative to elsewhere, it is to be expected that employment rates among the foreign-born population are lower - particularly in the early years following arrival, when migrants are more likely to reflect the norms of their origin country than those prevalent in Finland. However, high unemployment rates – combined with high inactivity rates – among migrants from countries such as Sweden which are characterised by high female participation suggest that there is more to the story. Indeed, high inactivity is also likely to be partially driven by the discouragement of jobseekers who do not see a route to employment. Indeed, the employment rates of some of Finland’s largest migrant groups – including women from the UK, from Germany, from Somalia, Iraq and Estonia – are lower in Finland than they are in many other destination countries (Figure 2.6). This suggests that differing preferences upon arrival does not hold up as a complete explanation for the lower employment rates among foreign-born women in Finland.5
The foreign-born population exhibit markedly different integration pathways

The disaggregated figures above give some indication of the correlates of poor integration outcomes. However, this snapshot masks substantial variation in the integration pathways of the foreign born. For example, a greater linguistic distance, alongside more substantial differences in the performance of the origin country education system and in the functioning of local labour markets mean that migrants from Iraq and Somalia are likely to require more time to transfer the skills learnt in their origin countries to the Finnish labour market than are migrants from Sweden or Estonia. Figures aggregated over time and cohorts will be unable to distinguish between longer integration pathways, and poor long-run integration outcomes.

Furthermore, given the temporal trends in Finland’s recent immigration history, different migrant groups have quite different duration of residence. The picture provided by a simple snapshot, therefore, fails to capture the compositional effects that, in large part, drive integration success. Higher employment rates among migrants with Russian origins may partially reflect that, having lived longer in Finland, these individuals have had more time to assimilate into the Finnish labour market.

In order to try to pull apart some of these influences and to isolate them from other factors, where possible, the analysis that follows will use administrative data to investigate the influences on the labour market outcomes of migrants in Finland in further detail. Duration of residence is perhaps the most important determinant of labour market integration. However, beyond the influence of duration of residence, diverse time trends can also influence comparisons between certain migrant groups and the native labour force. This is driven partially by the fact that Finland’s native-born population is ageing at a faster rate than the foreign-born population. As such, aggregate employment and wage figures that do not control for the age composition of the populations may be misleading and merely reflect the aggregate trend towards greater seniority among the native-born population that accompanies ageing. As a result, the analysis that follows uses the methodology outlined in Box 2.2 to examine the integration pathways of some of Finland’s largest migrant groups contrasted to a synthetic group of native-born Finns that are comparable in terms of the age profile and location in Finland.
Figure 2.6. Many migrant groups face poorer labour market outcomes in Finland than elsewhere in the OECD

Employment population ratio among female migrants in OECD host countries, by country of birth, 15-64, 2010/11

**Notes:** These data are based upon international census data and are, therefore, not updated on a regular basis.

**Source:** OECD Database on Immigrants in OECD Countries.
Box 2.2. Assessing the labour market integration of the foreign-born population in Finland

Empirical studies of the labour market integration of immigrants face the inherent challenge of isolating the impact of integration from three, potentially correlated, effects:

**Cohort effects:** the composition of immigrant cohorts varies substantially over time depending on both push and pull factors, including labour markets, immigration policies, and external events. Given the correlation of integration outcomes with factors such as education, reason for migration, and country of origin – which frequently vary systematically with cohorts – a comparison of integration outcomes across cohorts is likely to be deceptive.

**Ageing:** labour market outcomes tend to be correlated with age. Thus following the integration outcomes of a given cohort over time, may also be misleading.

**Period effects:** macroeconomic conditions clearly have an impact on the labour market outcomes of both immigrants and natives.

Given that, within cohorts, years since migration is perfectly correlated with calendar time, when using a synthetic panel of repeated cross-sections to track the labour market outcomes of immigrant arrival cohorts, identification of the impact of cohort effects and aging requires the assumption that period effects are common to both immigrants and natives.

Importantly, however, the employment and wages of those who are less established in the labour market – particularly immigrants – tend to be more vulnerable to the vagaries of the labour market than those who are well established (see MacDonald and Worswick, 1997 in Canada, and Bratsberg 2006 in the US, for evidence that immigrants’ wages are more responsive to local unemployment than those of the native born). As a result, when unemployment rates are trending downward (as they have been in Finland over the period in question) the assumption of common period effects can imply an upward bias in the estimated speed of integration. This is because the underestimation is more pronounced in earlier years, such that what appears to be integration is actually the result of a decline in the underestimation. Furthermore, what appears to be a cohort effect may, instead, be the result of differences in unemployment at the time of observation.

To overcome this hurdle, using longitudinal Finnish administrative data, following Sarvimäki (2011) and Barth et al (2004) the analysis of this report uses the following methodology in order to account for the differential sensitivity of immigrants and natives to local employment conditions. Using administrative data enables the measurement of how the labour market performance of immigrants evolves with time spent in Finland, contrasting this performance with comparable native-born individuals – while controlling for changing macro-economic conditions.

First-stage estimates of the elasticity of employment and earnings-per-worker with respect to age are:

\[ y_{jpt} = YSM_{jt} \alpha + A_{jt} \delta + C_{jm} \beta_m + \gamma_t + k^t u_{pt} + v_p + \varepsilon_{jt} \]
Box 2.2. Assessing the labour market integration of the foreign-born population in Finland (cont.)

For the foreign-born population and:

\[ y_{jpt} = A_{jt}\delta^N + \gamma_t + k^N u_{pt} + v_p + \varepsilon_{jt} \]

For the native-born population.

That is, the outcome (employment/wages of individual \( j \), living in province \( p \), at time \( t \)) is regressed upon age and age squared (in the above \( A_{jt} \) represents the quadratic polynomial), 23 indicators for year (\( m \)) of arrival (\( C_{jm} \)), 19 province indicators (\( v_p \)), and logarithmic annual provincial unemployment rate among the native born (\( u_{pt} \)) and, for the foreign-born, indicators for years-since-migration (\( YSM \)). Thus \( \beta_m \) captures the cohort effect (time-invariant differences across immigrant arrival cohorts), while the time fixed effects are captured by \( \gamma_t \). In this manner, the coefficients on age (\( \delta^N, \delta^F \)) and the local unemployment rate (\( \gamma^N, \gamma^F \)) allow for a differing impact of these variables on the outcomes of the native and the foreign-born. That is period effects are assumed to be equal only after conditioning on the unemployment rate in the local labour market – which is allowed to vary.

In the second stage, the first-stage estimates are used to calculate the expected outcome (employment/wages) for each immigrant observation (setting time dummies and local unemployment to the sample mean) first using the immigrant coefficients (\( \delta^N, \gamma^N \)) and then those calculated from the native-born population (\( \delta^F, \gamma^F \)). In this manner, for each immigrant, the analysis retrieves two expectations (in terms of employment/earnings): the first is their expected outcome abstracting from the business cycle (\( \hat{y}^N \)) and the second is an expectation of what a native with similar characteristics would have earned also abstracting from the business cycle (\( \hat{y}^N \)). In separate specifications, results are computed by gender, as well as by country of origin. Finally, results are computed separating the foreign born into four cohort groups: those arriving between 1990 and 1994, 1995 and 1999, 2000 and 2004, and finally between 2005 and 2009.

This methodology, whilst preferable to that which does not allow aggregate economic conditions to have a differential impact on migrant and native workers is, however, unable to overcome the potential bias induced if migrants self-select out of the labour force; for example, if those who are unable to find employment leave the country (see Dustmann and Görlach, 2016 or Lubotsky, 2007 for an investigation of this effect in the United States). Similarly, the identification able to control for potential bias that may arise if immigrants planning on only a temporary stay in Finland, invest less in country-specific human capital (see Dustmann, 2000 for a discussion). Appendix A disaggregates selected migrant cohorts by the duration of their stay to give some indication of the extent to which such issues are present among Finland’s migrants. Finally, the lack of reliable data on the education level of the foreign-born population prohibits the inclusion of education controls. As a result, as a robustness check, after comparing the foreign-born population to the entire native-born population, the native born comparison group is confined to those with a low level of education.
Box 2.2. Assessing the labour market integration of the foreign-born population in Finland (cont.)

Notes: Native-born are defined as native-born individuals with native-born parents while migrants are defined as foreign-born individuals both of whose parents (or the only known parent) is foreign-born. Migrants with unknown birth country are dropped from the analysis. Observations YSM > 15 are ignored in the estimations due to small sample sizes. Employment is defined as 1 if earnings positive, and 0 if they are not. The employment gap is defined as the difference between migrant and native employment. To capture the migrant-native gap in both income and entrepreneurial activity, earnings are defined as the annual sum of earned and entrepreneurial income in thousands of euros, expressed in year 2010 euros (with zero earnings not included). The earnings gap is defined as the ratio of migrant and native earnings. The estimation sample composes of: the years 1990–2013; individuals aged 15–64 years of age, and immigrants who arrived between 1990 and 2013. Age has been normalised such that 18=0.

Integration pathways differ among men and women and across migrant groups

Employment disparities among Finland’s immigrant women are driven largely by poor outcomes in their early years in Finland. For these women, the migration pathway is a long one. In their first year in Finland, employment rates among migrant women (when controlling for age, province, year of arrival, and local economic conditions as detailed in Box 2.2) lag behind those of their native peers by 51.5 percentage points. This disparity is substantially larger than the 28.8 percentage point difference between the employment rates of male migrants in their first year and comparable native-born Finns (Figure 2.7). Over time, the employment rates of foreign-born women begin to close the gulf in employment rates that characterise their early years. That is to say, employment rates among female migrants who have been living in Finland for many years tend to be closer to the employment rates of the native born, than do those of the newly-arrived.

When considering the magnitude of these disparities, it is important to note that the empirical analysis of this section defines the employed as those with greater than zero earnings for the given year. This definition of employment results in a native-born employment rate estimated between 86% and 90% among women. This compares to a rate of 68% according to the labour force data.

Foreign-born women who arrive in Finland with children tend to take longer to integrate than do those who have no children at arrival (Figure 2.8). In particular, when married/cohabiting women are disaggregated into two groups; those who are accompanied by children under 18 upon their arrival in Finland, and those who are not, it becomes clear that women with children have significantly poorer integration outcomes. Not only are women with
children more likely to be outside employment upon arrival but that this initial
disadvantage takes many years to overcome, with the disparity remaining
even after 10 years.

**Figure 2.7. Female migrants have poor employment outcomes upon arrival**

Percentage point disparity in employment rate between the foreign born and comparable native-born
groups by years of residency by sex, 1990-2013

*Source:* Secretariat calculations on the basis of administrative data (see Box 2.2 for details of empirical strategy).

**Figure 2.8. Foreign-born women with children upon arrival take longer to find employment**

Percentage point disparity in employment rate between the foreign born and comparable native-born
groups by years of residency by presence of children, 1990-2013

*Source:* Secretariat calculations on the basis of administrative data (see Box 2.2 for details of empirical strategy).
As the years pass, more and more women move into employment such that, after 15 years residence in Finland, employment disparities between foreign- and native-born women are similar to those between foreign- and native-born men. Both trail the employment rates of comparable native born Finns by approximately 20 percentage points. That foreign-born women are able to narrow this gulf demonstrates that they have both the potential and disposition to find employment in Finland. Yet, 15 years is a long time. This time represents a substantial waste of the potential of these women. What is more, with the passing years their skills will atrophy and their enthusiasm may wane.

A similar pattern emerges when turning to wage assimilation. Here wages are measured as the annual sum of earned and entrepreneurial income. The analysis presented here restricts the sample to only those with positive earnings in order to highlight the extent to which even those migrants that are able to enter employment suffer a significant wage penalty for many years. Figure 2.9 below illustrates the extent to which the earnings gap, defined as the ratio of the earnings of the migrant and native-born populations, is larger among women in the early years following arrival. Among those who are employed, foreign-born women initially experience a substantial earnings shortfall relative to comparable native-born women – earning 65% of the wages of their native born peers one year after arrival. This is larger than the wage disparity among men. However, wage-earning women appear to experience faster wage assimilation than men such that, after 11 years in Finland the wage disadvantage associated with being born abroad is no different among employed women and among employed men.

Figure 2.9. Migrant women have larger wage disparities upon arrival but catch up with their male peers

Ratio of foreign- and native-born predicted earnings by sex, 1990-2013

Notes: Earnings defined as the annual sum of earned and entrepreneurial income expressed in 2010 EUR. Zeros excluded.
Source: Secretariat calculations on the basis of administrative data (see Box 2.2 for details of empirical strategy).
These findings suggest that the specific barriers impeding the employment and stymieing the wages of women are not insurmountable. Nevertheless, long delays to the labour market integration of foreign-born women carry with them a significant cost – for the women themselves, for their children, and for the Finnish economy more widely. It is important to note that while the methodology employed in this chapter enables this analysis to control for a multitude of background characteristics, cohort effects, and the influence of the local labour market, it is not possible to eliminate bias that may arise if migrants with weak labour market prospects become discouraged and no longer seek work. Were such selection present, such that only the most able remain in the labour market, it would suggest that the figures above may overestimate the speed and extent of wage integration.

It is important to note here that one explanation for the persistent disparity between the native and foreign-born employment rates is education, that is, education levels – or quality – may differ between the native and the foreign-born populations. This is because data on the educational attainment of the foreign born who obtained their education outside Finland is not captured in the Finnish administrative data and, hence, education is excluded from the analysis. When the analysis is run restricting the native-born sample to those with only a low level of education (see Appendix 2.2), the disparity is diminished; with foreign-born men experiencing an initial wage penalty of 11%, while foreign-born women experience an initial 23% wage penalty. After 15 years in Finland both foreign-born men and foreign-born women earn incrementally more, on average, than the low-educated native born. Nevertheless, this can be thought of as a lower bound of the effective penalty associated with being born, and potentially educated, abroad.

Integration pathways also differ quite markedly between migrant groups. Figure 2.10 illustrates the extent to which immigrants arriving from Estonia integrate relatively rapidly into the Finnish labour market. From their first year in Finland migrants from Estonia experience the smallest employment penalty – with an employment rate trailing comparable natives by just 22 percentage points, much lower than for most other migrant groups. In the ensuing years, Estonians manage to close the gap with native born Finn’s such that, after 15 years in Finland, their employment rates are just 2 percentage points below native-born Finns. Part of this Estonian integration success may be related to language. Indeed, Finnish and Estonian are both Uralic languages and, as such, the linguistic difference between the two languages is smaller. Obtaining proficiency in Finnish tends to be much easier for Estonians than for other migrants.

Migrants arriving from EU15 countries, from the United States and from Canada also enter Finland with a relatively small employment penalty; trailing native-born Finns by 28 percentage points in their first year. The relatively strong
employment performance among these migrants is likely to be reflective of the fact that many of those arriving from the EU15, from the United States and from Canada have arrived for employment with a job already in hand. However, these immigrants do not appear to make substantial integration progress as the time they spend in Finland increases. Indeed after 15 years these migrants have narrowed the gap with comparable native-born individuals by only 12 percentage points. This is the most limited progress towards labour market assimilation of all migrant groups represented in Figure 2.10.

While migrants from Russia and from the Former Yugoslavia tend to have relatively large employment disparities upon arrival, they experience relatively strong and sustained employment assimilation. After five years in Finland, migrants from Russia exhibit employment rates that are comparable to those arriving from EU15 countries, from the United States and from Canada; after 15 years, employment rates among this group lag behind those of comparable native-born Finns by just 10 percentage points. Finally, migrants arriving from Somalia and Iraq tend to have the poorest employment outcomes. Indeed, arrivals from these countries – many of whom will have come to Finland on humanitarian grounds – face substantial employment disparities upon arrival lagging the employment rates of native-born Finns by over 70 percentage points. Labour market integration among this group is slow, limited, and tends to plateau after approximately 10 years of residence.

Figure 2.10. Estonian and Russian migrants move into employment more easily

Percentage point disparity in employment rate between the foreign born and comparable native born groups by years of residency and country of origin, 1990-2013

Note: Natives defined as native-born individuals with native-born parents. Immigrants defined as foreign-born individuals with both (or only known) parents with foreign born.

Source: Secretariat calculations on the basis of administrative data (FLEED database).
The integration pathways of foreign-born women in Finland differ even more markedly between migrant groups (Figure 2.11). Women born in Estonia have a relatively small employment disparity with those born in Finland and, from arrival, their employment rates lag behind those of comparable native-born Finns by less than 30 percentage points. Over time, more and more Estonian women take up employment such that after 5 years in Finland, employment rates among this group lag those of the native-born population by 20 percentage points, after 10 years the disparity has fallen to 10 percentage points. The pattern of employment integration among Russian women to some extent mirrors that among Estonian women, with the notable difference that employment disparities with native born Finns tend to be more pronounced among Russian women than they do with Estonian women. Furthermore, while migrant women from Russia narrow the gap with native-born women over time, in contrast to migrants from Estonia, persistent employment disparities continue to remain higher among migrant women from Russia then they do among migrant men from Russia. Finally, while women from the Former Yugoslavia tend to make some progress towards closing the employment rate gap with native born Finns, their progress falls short of that made by migrant men from the Former Yugoslavia.

Labour market integration among women from other origin groups, however, is less marked. Those women who are outside the labour market upon arrival make little progress towards it. Among those, on the one hand, who arrive from the EU, from Canada and from the United States, the employment population ratio is relatively high upon arrival but does not increase much with duration of residence. Among those women who arrive in Finland from Somalia and from Iraq, on the other hand, the employment population ratio is low from day one and lags close to 80 percentage points behind that of native born Finns. These women also make very little progress towards narrowing the gap even after ten years resident in Finland.
Figure 2.11. Few migrant women from Somalia, Iraq move into employment

Percentage point disparity in employment rate between the foreign born and comparable native-born groups by years of residency and country of origin and sex, 1990-2013

Source: Secretariat calculations on the basis of administrative data (FLEED database).
These trends may be partially reflective of the composition of these migrant groups and the reasons that prompted their migration. Among women from the EU15, USA and Canada the persistence of gender disparities in employment integration may be driven partially by the large number of family migrants in this group.

**But early integration levels have improved in recent years**

Since the introduction of the Integration Act in 1999 – which recognised the particular needs of migrants such as language training and the adaptation of country-specific skills – employment outcomes in the early years following arrival in Finland have improved (Figure 2.12). Indeed, research into the effectiveness of the integration plans introduced as part of the Integration Act in 1999 has suggested that these plans significantly increased the employment and earnings of immigrants and reduced their dependency on social benefits (Sarvimäki and Hämäläinen, 2016). While the integration training did not introduce new PES tools, Sarvimäki and Hämäläinen (2016) found that the content of integration training moved away from traditional training such as job-seeking courses and vocational training programmes and towards more targeted training – such as language courses. The authors attribute the positive labour market effect to the more efficient use of existing resources at the employment office.

**Figure 2.12. Early labour market integration has been stronger among recent cohorts**

Percentage point disparity in employment rate between the foreign born and comparable native-born groups by years of residency and entry cohort, 1990-2013

*Source: Secretariat calculations on the basis of administrative data (FLEED database).*
Notes

1. It is important to bear in mind that these rates are also driven partially by the denominator; the underlying population. As such, the reduced employment rates among the foreign-born in 2015, for example, are also reflective of the increase in the foreign born population in that year.

2. In contrast to labour migrants, who already have an employer upon arrival, refugees arrive without a job. Furthermore, lack of language skills, local networks, and knowledge of the local labour market, combines with employer uncertainty regarding the value of the foreign credentials and experience they hold to ensure that gaining an initial foothold in the labour market of their host country can be very hard for this group of migrants. In contrast to international students, refugees have no educational institution to provide them with a programme of daily activities and link them to their host country. And in contrast to those migrants who arrive to reunite with their family (who have, in recent years, made up the majority of permanent migrants to Finland) refugees have no family links to their host country and no networks to orient themselves and provide them with much needed information. See OECD (2016) for a discussion of the particular challenges facing humanitarian migrants.

3. Added to this, gender segregation with respect to occupation and sector (48% of female employees work in the public sector (Statistics Finland)) has meant that the employment rate of women has been somewhat protected from the crisis, which hit the manufacturing sector most heavily.

4. This is particularly notable in light of the high birth rates in Finland, and the relatively limited number of children enrolled in childcare, both of which might be expected to stymie the participation of women.

5. It is important to note that these aggregated figures may be partially driven by compositional effects – such as duration of residence – that can have a substantial impact upon labour market outcomes.
6. In addition, the relatively small migrant population in Finland means that labour force survey based information on disaggregated groups may not be perfectly representative of the population.

7. Note, that this implies the assumption that the impact of local labour market conditions on the labour market outcomes of the foreign-born is equal irrespective of the years since arrival. However, as immigrants spend time in Finland, and become more established on the labour market, their experience wage curve elasticities may increasingly resemble those of the native born.

8. In addition, given that, mechanically, there is a higher density of people who have arrived recently among those data points representing fewer years since migration, to the extent that recent immigrants have seen higher employment in their early years, aggregated figures are indicative of trends and may overestimate the speed of integration.

9. Until recently (see Aslund et al 2017), much of the literature has not looked explicitly at employment trajectories, instead compressing all the information in a single figure including also zero earnings and thus capturing both the integration issues both on the extensive and intensive margin (see for example Hämäläinen and Sarvimaki, 2017). Excluding those with zero earnings may lead to concerns over potential selectivity – that is, if only the most able migrants find employment, those with positive earnings will not truly represent the full sample of the foreign-born. However, this positive selectivity only serves to render the disparity all the more stark since even the most able migrants face large disparities.

10. In any case, comparisons of education obtained in Finland with that obtained in many origin countries are likely to be problematic. Indeed, recent research has shown that migrants with similar education levels are likely to hold quite different skills (OECD, forthcoming).

11. This research has exploited the policy discontinuity arising from the fact that the obligation to participate in an integration plan only applied to those entering the population register after May 1st 1997.
References


Department of Employment and Entrepreneurship (2016)), “Integration of Refugees: Challenges and Good Practices”.


Annex A

2.1 Selective out migration

**Figure A.1. Selective out migration**

Percentage point disparity in employment rate between the foreign born and comparable native born groups by years of residency and total duration of stay in Finland, 1990-2013

Source: Secretariat calculations on the basis of administrative data (*FLEED* database).
2.2 Wages relative to native born with a low education

Figure A.2. Wage assimilation relative to native born with a low education, by gender

Ratio of foreign- and native-born predicted earnings

<table>
<thead>
<tr>
<th>%</th>
<th>Men</th>
<th>Women</th>
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<tr>
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<tr>
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<tr>
<td>60</td>
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</tbody>
</table>

Note: Native counterfactual restricted to only those with a lower education level.

Source: Secretariat calculations on the basis of administrative data (FLEED database).

Figure A.3. Wage assimilation relative to native born with a low education, by country of origin

Ratio of foreign- and native-born predicted earnings

<table>
<thead>
<tr>
<th>%</th>
<th>Somalia</th>
<th>Iraq</th>
<th>Russia &amp; F. Soviet Union</th>
<th>Estonia</th>
<th>F. Yugoslavia</th>
<th>EU15, USA and Canada</th>
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<tbody>
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</tbody>
</table>

Note: Native counterfactual restricted to only those with a lower education level.

Source: Secretariat calculations on the basis of administrative data (FLEED database).