

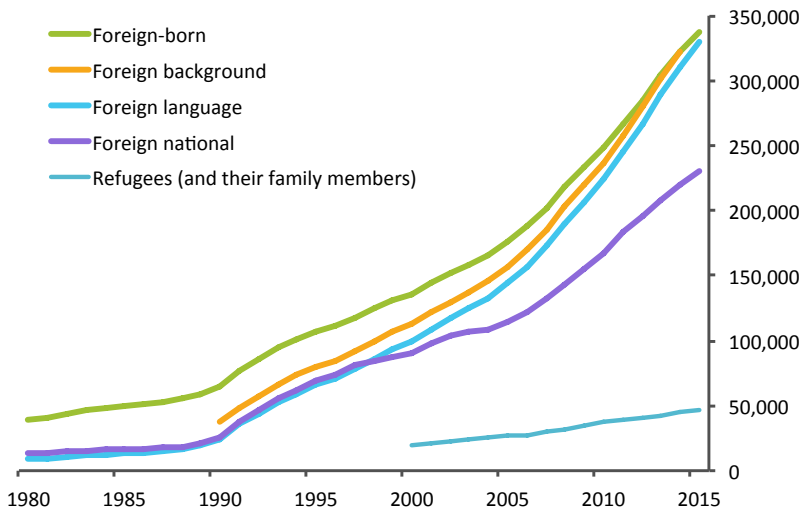
# Integration of Immigrants into the Finnish Labor Markets

Matti Sarvimäki

Aalto University School of Business and  
VATT Institute for Economic Research

Nordic-Baltic Migration Conference  
21 March 2018

# Immigrants in Finland

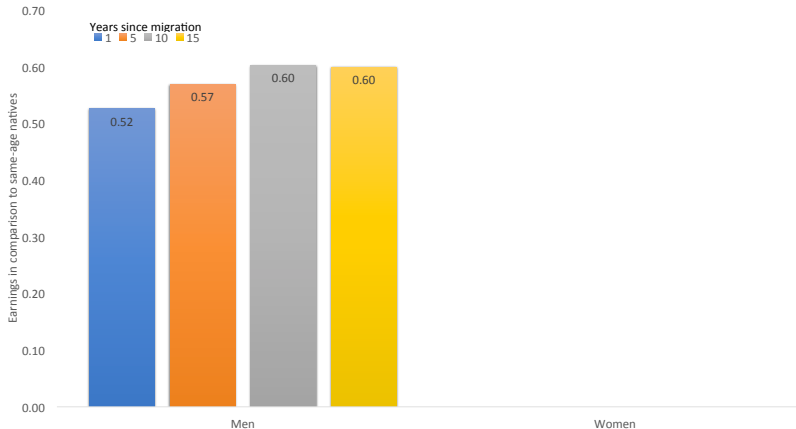


# Today

- How do immigrants cope in the Finnish labor markets
- Impact of integration policies

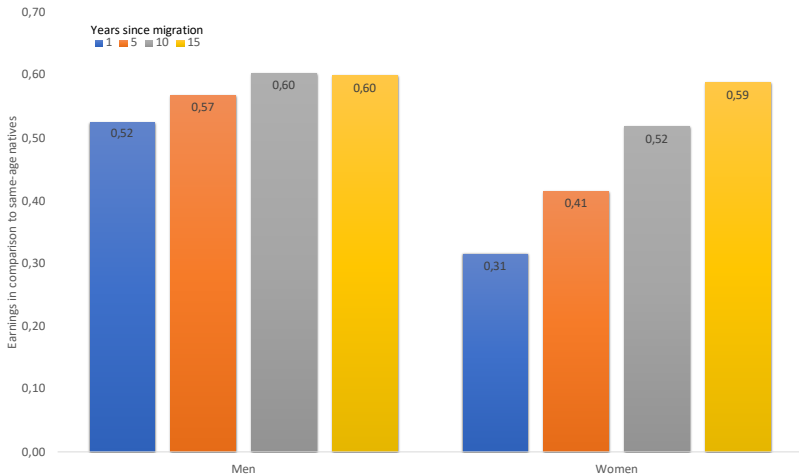
# Average earnings in comparison to natives

## Sarvimäki (2017)



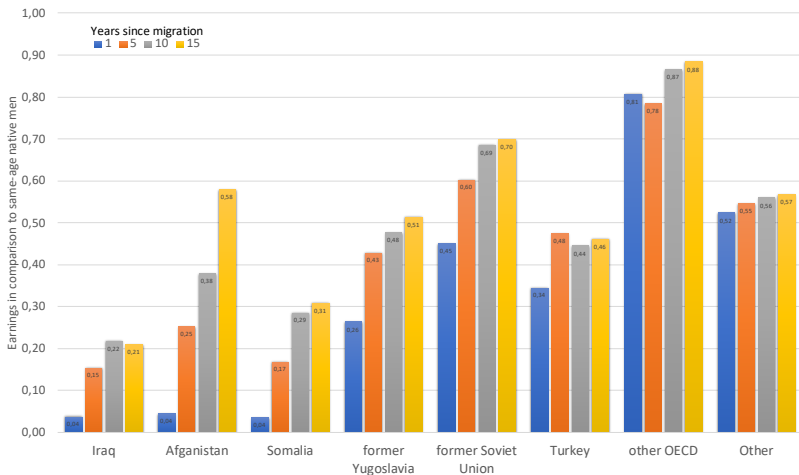
# Average earnings in comparison to natives

## Sarvimäki (2017)



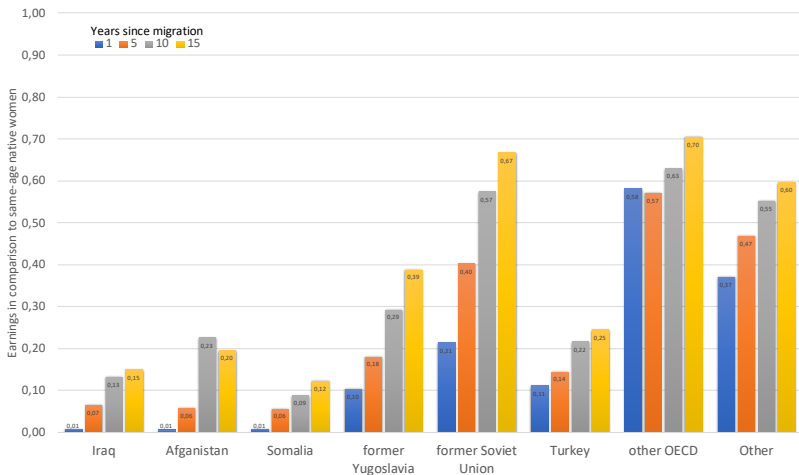
# Average earnings by region of origin: men

## Sarvimäki (2017)



# Average earnings by region of origin: women

## Sarvimäki (2017)



Integration policies



# Integration policies: Finland's 1999 Reform

Sarvimäki and Hämäläinen (2016)

- New legislation into force in 1 May 1999
  - no new resources allocated to integration of immigrants
- Introduced “integration plans”
  - individualized sequence of training, subsidized work etc. based on the existing ALMP framework
  - obligatory for recently arrived immigrants who are unemployed or collect welfare benefits (non-compliance sanctioned)

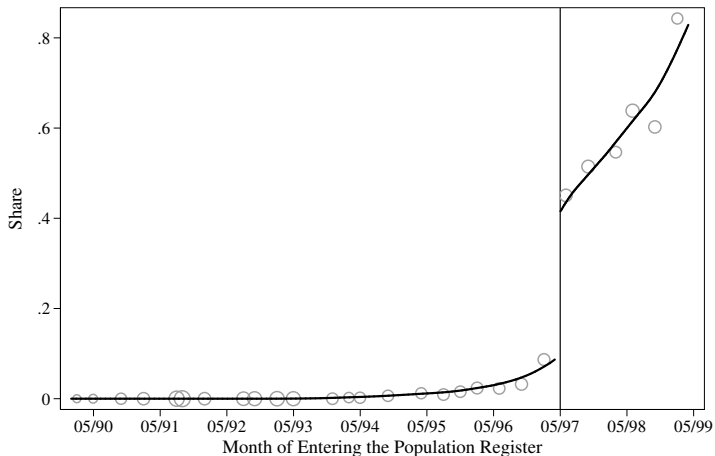
# Integration policies: Finland's 1999 Reform

Sarvimäki and Hämäläinen (2016)

- New legislation into force in 1 May 1999
  - no new resources allocated to integration of immigrants
- Introduced “integration plans”
  - individualized sequence of training, subsidized work etc. based on the existing ALMP framework
  - obligatory for recently arrived immigrants who are unemployed or collect welfare benefits (non-compliance sanctioned)
- Source of identification
  - those who arrived before 1 May 1997 exempted

# Integration Plans by Month of Arrival

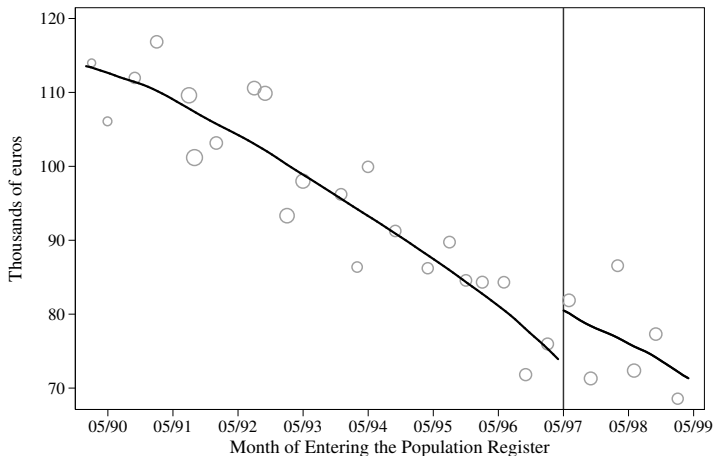
Sarvimäki and Hämäläinen (2016)



Share of immigrants receiving an integration plan by month of entering the population register. The lines represent local linear estimates using the edge kernel and the optimal bandwidth selection algorithm of Imbens and Kalyanaraman (2012).

# Cumulative earnings in 2000–2009

Sarvimäki and Hämäläinen (2016)



Total earnings between 2000–2009 by month of entering the population register. The lines represent local linear estimates using the edge kernel and the optimal bandwidth selection algorithm of Imbens and Kalyanaraman (2012).

# Impacts of the integration plans

Sarvimäki and Hämäläinen (2016)

- Increased earnings by 20,000€ (49%) during the 10yr follow-up
  - reduced (equivalence-scaled) benefits by 13%
- Ongoing work: seems to improve educational outcomes of the the children of the participants

# Impacts of the integration plans

Sarvimäki and Hämäläinen (2016)

- Increased earnings by 20,000€ (49%) during the 10yr follow-up
  - reduced (equivalence-scaled) benefits by 13%
- Ongoing work: seems to improve educational outcomes of the the children of the participants
- Did not cost anything
  - no impact on the total amount of training or sanctions
  - ... but affected the *content* of training

# Integration Social Impact Bond

- Treatment
  - provide a real job quickly after short language training
- Key innovations
  - reliable measurement of the new model
  - good incentives for the service providers

# Integration Social Impact Bond

- Treatment
  - provide a real job quickly after short language training
- Key innovations
  - reliable measurement of the new model
  - good incentives for the service providers
- Implementation
  - *randomly* selected immigrants offered an opportunity to participate in the new program
- Service providers are paid
  - standard payment for language training
  - 50% of fiscal surplus



# Conclusions

- Economic opportunity for the receiving country
  - immigrants typically arrive at prime working age
  - adverse impact on natives' wages, employment unlikely

# Conclusions

- Economic opportunity for the receiving country
  - immigrants typically arrive at prime working age
  - adverse impact on natives' wages, employment unlikely
- BUT: this potential may be wasted
  - immigrants' employment rates typically low
    - potentially large negative fiscal effects

# Conclusions

- Economic opportunity for the receiving country
  - immigrants typically arrive at prime working age
  - adverse impact on natives' wages, employment unlikely
- BUT: this potential may be wasted
  - immigrants' employment rates typically low  
→ potentially large negative fiscal effects
- Efficient integration policies would benefit *everyone*
  - encouraging results from earlier reforms
  - better understanding needed on what works (and for whom)