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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Immigrants on the labour market

*– A study of the working lives of immigrants
arriving in Finland in different years*

Immigration to Finland has increased since the beginning of the 1990s. In 2015, about 230,000 foreign citizens lived in Finland. Although most of the immigrants are of working age, only little is known about their working lives. In this study, we provide new information on the employment and earnings of immigrants during their stay in the country. As the immigrant population grows, immigrant labour market integration and the development of immigrant employment and earnings will have a greater impact on the whole economy.

This study, based on register data and statistical analysis, gives a comprehensive view of immigrants' time spent in employment. In addition, we have studied the earnings development of immigrants during their time in Finland. The research data comprises Statistics Finland's total data of immigration of foreign nationals to Finland in 1995, 1996, 2000, 2001, 2005 and 2006. During the years under review, a total of nearly 58,000 people moved to Finland. We followed up these individuals and the duration of their working lives until 2013 (or until their emigration). Our study focuses on individuals who were aged between 18 and 64 years when immigrating to Finland.

In addition to civil registration data and various administrative registers, the research material used includes data from the registers of the Finnish Centre for Pensions. Due to its comprehensiveness and versatility, the data is unique in Finland. The use of different data sources gives a more accurate picture of immigrant employment.

Gender, country of origin and year of immigration cause major differences in immigrants' working lives

The immigrant population is a very diverse group. Our results show that several background factors play a significant role in immigrants' employment. The time between immigration and the first day at work is relatively short, but there are sizable differences in the years spent in employment between immigrant cohorts, genders and nationalities. Immigrants' attachment to the labour market and employment are highly polarised: either they work throughout the year or not at all.

During the review period, the immigrants from Estonia and Western and Southern Europe had the best employment situation. Moreover, their working lives lasted the longest and their earnings increased during their stay in the country. Worst off in the labour market were the immigrants from the Middle East and Somalia. The differences are driven by various underlying factors and causes of migration. The employment situation of male immigrants was clearly better than that of female ones. In addition, due to low employment, women's earnings were very modest.

In our descriptive analysis we found that, the time spent in employment was longer and the earnings higher for the cohorts that had arrived later than for those who had arrived earlier. The differences in employment propensities between the cohorts remained in the regression analysis when individual background factors and business cycles were taken into account. We found that the social and economic conditions during the year when immigration takes place have a lasting impact on future working years. The integration measures and the attitudes of the native population also affect the entry to employment and the number of years spent in employment.

Family factors affect men and women differently

Based on the regression analysis, the time spent in Finland increased the probability of employment and the time for which pension accrues, regardless of gender. This is true for all groups of countries, except the Middle East and Somalia. People from these two groups spent considerably less time in employment than did individuals from any other groups. High-skilled migrants had better access to employment and accumulated more working years than did those with a lower educational level.

The effects of factors relating to different family situations vary between male and female immigrants. Married men accumulated more work days than did unmarried ones. In contrast, unmarried women who did not have underage children accumulated more working days than did married women with young children. Supporting female immigrants who have family responsibilities by, for example, helping them to acquire an education, language skills and work experience, would be particularly important in order to help them integrate more successfully into society and the labour market.

Attention must be paid to livelihood during retirement – female immigrants at risk

Our study revealed signs of polarisation in the working of immigrants. The observation can partly be explained by inflexible labour markets and wages, but also by the unemployment and social security system. Accepting short-time jobs may not always be worth it. It may result in cuts in benefits that have to be reapplied for after the employment ends. Greater flexibility in wages, combined with active labour market measures, could make it easier for immigrants with a lower-level education to access the labour market.

Our study showed that immigrants' working lives are shorter and their earnings are lower than those of the native population. Hence, they will accrue less in earnings-related pension in Finland than will the native population. Migration in working age, a slow transition to the labour market, as well as delayed and weaker employment opportunities shorten the length of immigrants' working lives. Some immigrants remain outside the labour market for long periods of time or move to Finland in working age. As a result, their potential time in employment will be relatively short. Particularly, female immigrants, who spend a short time in employment and have small earnings, are in danger of receiving only the minimum level of social security benefits when they retire.

Because of the age structure of the immigrant population, the pensions paid to immigrants have so far accounted for only a marginal part of Finnish pension expenditure. In the future, however, the pensions of immigrants and the time spent in pensionable employment are becoming increasingly important from an economic perspective as the immigrant population ages and the number of immigrants increases.

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