

Elli Heikkilä and Maria Pikkarainen

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Internationalization of Population and Labour Force from the Present to the Future

Summary

The Finnish population is aging, and this is becoming a serious problem like in other developed countries. It is expected that in the whole country only the age-group of over 65-years old and the others will diminish during the next decade. The population of working age will also decrease, and it has been estimated to decrease most in the decade 2010, at a pace of almost 30,000 per year. When the baby boomers retire, there will not be enough labour force to replace them. The “Labour 2025” report suggests employing elderly, unemployed, disabled and immigrants. The immigrant labour reserve consists of foreigners living in Finland, naturalized immigrants and new potential immigrants.

This research project presents new information of internationalization of the population and labour in Finland. The development is analyzed for the whole country and all counties from the present day to the year 2015 and immigration is used as a special indicator. The object of the analysis is the employment of immigrants in the Finnish labour market, and anticipation of the future need for labor. The research was an anticipation project of International migration, need of labour and effects of immigration on education supply, which was funded by the European Social Fund, the Finnish Ministry of Education and the Institute of Migration.

The primary data of the research project are extensive gross flow-data obtained from Statistics Finland, the Ensti-database of the Finnish National Board of Education and numerous surveys and interviews. Using a case-study from the University of Oulu, the willingness and intentions of university graduates to move abroad was studied, and also the interest of international students to stay in Finland. The interest of foreign university graduates to work in Finland was studied both in the University of Oulu and in Orion Pharma. Also the willingness of expatriate Finns to return migrate and enter the Finnish labour market was studied.

The number of foreign citizens in Finland was 121,739 in 2006, which is 2.3 percent of the total population. The biggest immigrant groups were Russian citizens (25,326 persons), Estonians (17,599), Swedes (8,265) and Somalis (4,623). The proportion of immigrants among all employed was 1.6 percent in the year 2000. Few immigrants come to Finland for work. According to the estimates of the Ministry of Labour, only between 5 and 10 percent of the immigrants came to work in Finland during the 1990s and 2000s. The government migration policy programme adopted in October 2006 aims at increasing work-related

immigration. In the year 2002 a fourth of all the immigrants to Finland, including children and elderly, found a job within a year from the arrival. 11 percent became unemployed. Thus 36 percent of them belonged to the labour force. The share of persons aged 20–44 is greater among foreigners than among Finnish citizens. Thus the immigrants are in a favorable working-age.

The immigrants were unevenly distributed among the counties during the early 1990s recession as well as during the economic upturn at the beginning of the millennium. A common feature is that the Uusimaa county has been most attractive, almost half of the immigrants who arrived during the period of study settled here. The economic expansion regions of Varsinais-Suomi and Pirkanmaa rank second in attractivity. The immigrant share of these three counties exceeds 60 percent regardless of the study period, so Southern Finland is the main target for immigrants. Some counties have only a 1–2 percent share of the immigration, and even less. The county of Central Ostrobothnia had an immigrant share of only half a percent in 2002. During the last ten years there have been no major changes in the immigrants' migration behaviour. Only refugees are more randomly scattered around the country because of the official settlement policy. Foreigners mostly prefer cities, 85 percent of them lived in urban municipalities in 2006.

When studying main activity of those of working age, between 15 and 74 years old, the employment rate of those who had immigrated in 2002 to Finland from abroad was 35 percent nationwide. The best situation was in Ahvenanmaa, where two thirds of those who immigrated in 2002 had a job. Most of them were Swedes, so moving to a Swedish-speaking area posed no integration problems. In Uusimaa, where most of the jobs are, only 42 percent of the immigrants found employment during the year of immigration. The most difficult situation was in Kainuu, where only 15 percent succeeded in finding work. A considerable share of the immigrant population in the whole country was unemployed or outside the labour force as labour reserve. The number of these was exceptionally high during the recession of the 1990s, but the situation has not improved to correspond to the level of the whole population. The chances for finding a job improve after a year in Finland; of the immigrants who came to Finland in 2002 a third had found work by the end of their first year in the country, and the following year 44 percent was employed. The regionally different employment rates are due to the general employment situation in the regions. Ahvenanmaa had almost full employment at the beginning of the 2000s, while the general unemployment was high in the northern and eastern parts of Finland.

The employment rate is higher and there are less unemployed among those immigrants who were born in western countries. Immigrants from Great Britain, Sweden, Germany and Estonia show the highest employment rates. In the newest data from 2004 those born in India also rank high, followed by China, Turkey, United States and Vietnam. The employment rates are lowest and unemployment most common among immigrants originating in former Yugoslavia, Iran, Somalia and Iraq. The immigrants with higher education show the highest employment rates.

A stratification in economic sectors can be observed for the immigrants one year after the arrival, i.e. in 2003. The most important employment sector is trade. Other important sectors are financing, insurance and real estate and business services, which include for example cleaning, and education and research sector. Those immigrants who are employed in the education and research sector have been able to use their mother tongue in their work. In 2003 women have mostly been employed in the trade sector (16 percent),

education and research (13 percent) and health care (12 percent). Men found work especially in trade (17 percent) and in financing, insurance and real estate and business services (15 percent).

The occupations of the immigrants can be compared to the whole distribution of occupations in Finland the year 2000. The distribution differs most for service work: 27 percent of the employed immigrants worked in the service sector, while the corresponding rate for the whole country was 18 percent. Immigrants were also overrepresented in education and culture work in relation to the whole population (10 percent vs. 7 percent). The ratio of immigrants in office work was smaller (6 percent vs. 10 percent) and also in nursing (9 percent vs. 13 percent). In 2004 the most common occupation among employed immigrant women was cleaning (2,530 persons, a share of 12 percent), sales work (10 percent), teaching and education (9 percent) and restaurant service (8 percent). Surprisingly, 15 percent of the occupations were unknown. In the same year the immigrant men were mostly employed in restaurant service (3,281 persons, 12 percent) followed by technical planning, supervision and research (7 percent), teaching and education (6 percent) and ground transportation (5 percent).

When looking immigrant stock by country of birth and employment groups exceeding 600 persons in 2004, those who were born in western countries, such as Sweden, Great Britain, Germany, the United States and Poland, employment within teaching and education was the most common employment group. Immigrants born in countries outside the EU, like Iran, Vietnam, China, India and former Yugoslavia are mainly employed in restaurant services. Of the Turkish-born as much as 60 percent (848 persons) is employed in this sector. Cleaning is the most common sector for those born in Somalia (175 persons, 24 percent of the employed Somalis) and in Thailand (147 persons, 16 percent of the employed). Of those born in India, the second most important sector was technical planning, supervision and research (194 persons, 22 percent of the employed) and the third ranking group in technical experts and work supervision (8 percent). The technical sector is also prominent in the Chinese, British, Polish, German and American occupational distribution.

According to the survey, graduates of the University of Oulu are interested in working abroad in the future. Almost two thirds of the respondents gave a positive answer, and a little over a third a negative. Men were more interested, 76 percent of them were interested in working abroad, but only a little more than half of the women. The biggest interest was among those with technical education (75 percent). Those who were interested in working abroad said that working in a foreign country would give valuable experience, promote the career and increase professional skills. Part of the respondents also believes that the income would be higher abroad. Factors pushing away from Finland are high taxes and low wages. Of those positive to working abroad 60 percent would like to spend some years abroad and 18 percent less than a year. Ten percent of the respondents would like to alternate between work in Finland and abroad. Only less than three percent of those interested in working abroad would like to work in another country permanently. English speaking countries are the preferred choice, especially Great Britain (21 percent) or the United States (16 percent). Germany received interest from 13 percent of the respondents. According to the respondents living abroad is not always required in international work. In such cases contacts to foreign employees become important.

The University of Oulu receives foreign students, and a survey was also conducted among them. Of the respondents among those 90 percent said that they are interested in working abroad in the future. They were most interested in Finland and the following preferred countries were Great Britain, the United States and Australia. Finland seems to be the most interesting country especially for citizens of Asian and English speaking countries.

Information was gathered about employees of foreign origin using surveys in the University of Oulu and Orion Pharma. Also they were asked to name three preferred countries to work in. Finland ranked again top, followed by the English-speaking countries Great Britain and the United States. Of those interested in working abroad, almost half would like to spend some years in a foreign country and then return home. A fifth of the respondents were interested in combining working abroad and in the home country alternating between the two a few years at a time. A common reason for moving to Finland was finding a Finnish spouse. Another motive for migrating to Finland was that the spouse from the same country had found work in Finland. The immigrant followed then at a later, more suitable occasion or after finding work here. In some cases the person has been an exchange student in e.g. the Erasmus program and liked Finland enough to return later.

Foreign workers at the University of Oulu and Orion Pharma told about their experiences of Finland as a country to work in. The most positive remarks were related to the working environment (40 percent of the respondents). These respondents experience their job as meaningful and their work environment as good. They appreciate their colleagues, the relaxed job culture and work rhythm and also the job resources and tools. The bad experiences are mostly related to language and communication problems (28 percent of the respondents). Finnish is perceived as a difficult language to learn and Finnish people are considered non-talkative.

The survey of expatriate Finns revealed that most of them, 92 percent had no fixed period for their living abroad. Many have a foreign spouse and they do not expect him/her to integrate and find work in Finland as easily as they have in their new home country. Many respondents have initially emigrated for a certain period, but the stay has extended to years. Those who have a good job abroad are not inclined to return to Finland, especially while in working age. When asked about the most attractive countries to work in, also the expatriate Finns mostly answered Finland, followed in popularity by United Kingdom, Sweden and the United States. Most of the potential return migrants (62 percent) intend to return for work. A third considers moving to Finland for retirement and a few respondents were going to study. A part of the respondents have left Finland because they were not able to find any interesting well paid job which would suit their education.

The changing age structure of the population strongly affects the supply of labour in the long run. The labor leaving the labour market is no problem if there is enough compensating work force entering the labor market. In aging societies complementing reproduction of the population by immigration has been considered as an option. All positions are not refilled after retirement and the creation of new jobs is dependent on the general development, production increase and demand for labour. The expert interviews revealed that the demand for labour will be exceed the supply. Finland needs immigrants with different educational backgrounds; professionals as experts and less educated to fill less demanding positions. The interviewees believe that there will be more jobs in the service and business sectors, especially in the former the need for immigrant labour might

be the greatest. Also in the welfare sector, in social and health care more labour will be needed. Routine work will decrease with automation.

According to the development prediction based on the Ensti-database maintained by the Finnish National Board of Education, the most rapidly decreasing sectors are agriculture (–28 percent), forestry (–20 percent) and other industry and vehicle manufacture, both with –17 percent from the year 2000 to 2015. Growth sectors will be especially health care (21 percent), manufacture of instruments and electrical products, both increasing by 19 percent, and trade increasing by 10 percent by the year 2015. In terms of labour agriculture would employ 26,810 persons less and in the other industry sector the decrease would be next greatest with 23,610 persons. The health sector would expand fastest, with 32,910 persons and trade would score second with 30,000 persons increase.

According to the Ensti-database basic development alternative, the absolute number of jobs will grow during the period 2001–2015 fastest in technical planning, supervision and research (43,200 jobs), in health and beauty work (23,500), in social and leisure activities work (22,500) and technical work in the nursing and health care sector (21,700). The biggest job decreases will during the period 2001–2005 be in the category “unknown” (–28,900), in agriculture and gardening (–26,400), in clerical work (–26,300) and in cleaning (–22,500). According to the Ensti-database basic development there will be 39,000 more new jobs opening than jobs disappearing from 2001 to 2015. The corresponding job surplus in the target development is 165,800, which means that in addition to replacing the 903,600 persons retiring from the labour force, 165,800 more persons will be needed. The loss in labour force will be greatest during the period 2011–2015, a number of 355,010 persons, when the corresponding number 2006–2010 is 313,530 persons.

Looking at the main occupational sectors, for instance nursing, according to the basic development alternative of the Ensti-database an additional 22,100 persons will be needed in 2010–2015 in comparison to the period 2005–2010. According to the basic development, the growth in the number of persons employed in the nursing will in the period 2000–2015 74,000 persons in total and in the target development alternative 82,700 persons. Simultaneously employment in clerical work will decrease (–45,400 persons in the basic development alternative).

The Ensti-database shows which sectors will provide most open jobs for vocationally trained; during 2001–2015 – technical sector and traffic (49 percent), the social and health sector (21 percent) and tourism, restaurants and economy (11 percent) As for jobs offered at the polytechnic level, the technical sector and traffic/ will offer most (33 percent), then administration and trade (28 percent) and the social and health sector (24 percent). For university graduates the biggest sectors will be administration and trade (26 percent), the humanistic sector and education (25 percent) and the technical sector and traffic (21 percent).

The research project has made a forecast of immigrant employment until the year 2015. According to this Finland would receive almost 60,000 working immigrants during the period 2003–2015, which would mean a total number of 103,000 employed when the immigrants already here are included. According to the forecast 17 percent would work in trade, 12 percent in financing, insurance, real estate and business and 11 percent with education and research in 2015.

The number of employed immigrants in 2015 will according to the trend forecast of main occupational sector be almost 78,000 persons, which is less than in the aforementioned sector forecast. A partial reason for this is that the main occupational sector forecast is a trend forecast, which is linked to the main occupational development in the whole country, while in the sector forecast the immigrant distribution according to the 2002 flow-data has been kept unchanged until 2015. In practice there are changes every year. The sector estimate is important considering the labour distribution in different sectors, the present situation and future development, so that Finland also in the future would get at least a stable flow of immigrants to different sectors. This estimate has not been linked to the development of the Finnish employed labour force and thus it gives a more positive picture of the internationalization of the labour force. The employment situation of immigrants in Finland has improved with every year, and they will be increasingly employed as the baby boomers retire.

According to the occupational sector forecast, the importance of the service sector for providing jobs to immigrants is considerable, because it has a share of almost 30 percent and the number of employed will be 22,600 in 2015. Industrial work is the second most important employment sector and number three is manufacture and traffic supervision and expert work. There is a small decrease in the nursing sector in the beginning of the 2000s, and according to the trend forecast this occupational sector would employ 5,100 persons in 2015. The immigrants' employment share of the main occupation sectors would be according to the Ensti-database basic development 3.4 percent in 2015. In the year 2000 the share of immigrants in the total population's main occupational sectors was 1,6 percent, meaning that the growth until 2015 will mean a doubling of the employed immigrants in the main occupational sectors. In relation to the whole population the biggest shares of immigrants are found in the group "occupation unknown", in postal work and service in 2015. The amount of employed immigrants would thus substantially grow from 34,862 persons in 2000 to 77,850 persons in 2015.

Forecasts on immigrants have also been conducted at regional level, because the counties are in quite different situation in attracting immigrants. All immigrants are included in this forecast, also those who are not in working age, i.e. children and elderly. In 2006 the number of persons in Finland born abroad was 187,910. If the net immigration would be doubled from the 2004–2006 average level, and keep constant until 2015, Finland would have a net amount of 156,000 new immigrants and the whole immigrant population would be almost 344,000 in 2015. If the average net immigration would be tripled, we would have around 422,000 immigrants in 2015. In the former case 42 percent of them would live in Uusimaa and there would be 143,000 persons born abroad in 2015. Varsinais-Suomi would have more than 30,000 immigrants, Pirkanmaa 26,000, Ostrobothnia almost 17,000 and Northern Ostrobothnia almost 15,000 immigrants. The smallest number would be in Central Ostrobothnia, a little over 2,700 persons. In some cases there are big regional differences in occupations, but also similarities. In some counties an increase of net immigration will not supply for the lack of labor in future. Compared to the Finnish population, the age structure of the immigrants is more favorable with more persons in working age and less dependent.

Most of the immigrants in Finland come from other European countries, i.e. more than two thirds of those born abroad in 2005. The migrant flow from Asian countries to Finland has increased, which is an indicator of far-away places increasing in importance as places of

origin. Africa is the third most important continent from where immigrants come to Finland. The expert interviews indicated that the migration flow from neighboring countries is expected to increase. According to the experts immigrants will come from the Baltic countries, Russia, Poland, Belarus, Ukraine, Bulgaria and Romania. The opinions differ on Estonia. Some believe that the immigration from there will continue, while others think that the flow has drained. Asia is considered second. China and India are expected to provide mainly educated labour. Immigration will grow also as a consequence of family reunions. Professionals and experts are expected to immigrate from the United States, Germany, Sweden and Britain, but otherwise the immigration flows from western countries will be small. The competition with other European countries for well-educated migrants is severe. If the differences in standard of living between Finland and the neighboring countries and in Europe will decrease during the next 5–15 years, the immigration pressure will decrease. The immigration flow from third countries to the EU is much bigger than the internal migration flow. Temporary migration and short term employment is expected to increase.