

Immigrations and Public Finances in Finland

Part II: Life-Cycle Effects on Public Finances of Asylum-Seekers and Refugees

English Summary

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1. Life Cycle Effects are the Effects on Public Finances over an Immigrant's whole Life Span.

The net fiscal effects of asylum-seekers and refugees on the Finnish public finances is the calculated difference between fiscal 'revenues and expenditures' of these migrants. The net amount is obtained by calculating the difference between the total taxes paid by the migrant (including tax-like payments) and the current transfers and government-provided services received as well as the financial consequences of any criminal convictions. Taxes related to business activity are also included if they pertain to personal taxation. Thus, the net fiscal effects show the financial result for the Finnish taxpayer from a given asylum-seeker/refugee.

Earlier part 'one' of this research project¹ already provided the results concerning the *realized* net fiscal effects for the ten largest groups of immigrants and compared them with the results for native-born Finns using the same parameters. The relevant statistics used for these reports come from the register databases of the government agency 'Statistics Finland,' the National Institute for Health and Welfare (under the Ministry of Social Affairs and Health) and the Finnish Immigration Service (under the Ministry of the Interior). Person-level register data covered almost all paid taxes (including tax-like payments), received current transfers and public services as well as criminal convictions for all immigrants, as well as for 50,000 randomly chosen Finns, for the years 1995-2011.

In this 'part two' of the research project², the net fiscal effects are then estimated over whole life spans of individuals: for native-born Finns from birth to death - and for asylum-seekers and refugees from their entry to Finland to their death (or possible emigration from Finland.). Hence, these 'life cycle effects' provide the sum total in euros that asylum-seekers and refugees have for the Finnish taxpayer over the stages of life, as compared with native-born Finns. This 'part two' of the research project was able to use additional data from the years 2012-2014, as well as data for the 'second generation' of these migrants - those of 22 years of age.

2. Asylum-seekers and Refugees from Iraq and Somalia.

It is particularly important to calculate 'life-cycle' effects resulting from asylum-seekers and refugees coming from Iraq and Somalia because these two groups constitute the two largest groups of 'humanitarian' immigration to Finland. These persons are arriving as asylum-seekers, 'quota' refugees and the 'family members' for these two groups. These groups were responsible for the largest influx during the so-called 'crisis' of 2015 in Finland as Iraq was the largest 'contributor' and Somalia the third largest - of the 32,000 asylum-seekers that entered Finland that year.

3. The most extensive study on life-cycle effects of asylum-seekers in Europe.

The scale - in both its breadth and depth - of a study of this type has never before been done in Finland - and as far as the author of this study knows - it has been a rare occurrence in Europe and, indeed, this may well be the most extensive study, to date, of life-cycle fiscal effects in Europe of asylum-seekers and refugees. All data has been based on government-generated statistics and stored and available in public registries. Statistical methodologies and models have been devised to cover wide areas such as pensions, subsequent emigration of earlier migrants as well as the effects of children.

¹www.suomenperusta.fi/immigrants-and-public-finances-in-finland-part-1-summary/

²The original 650-page text - in Finnish - can be found at: www.suomenperusta.fi/tutkimus/

4. Life-cycle effects outcomes for asylum-seekers and refugees born in Iraq and Somalia.

Life-cycle effects are predictions that account for uncertainty in them via probability distributions. These predictive probability distributions were estimated from the previously mentioned person-level register data provided by Finnish governmental agencies.

Table 1 shows the life-cycle effects for those migrants from Iraq and Somalia moving to Finland between the ages of 20 to 24. The table shows both life-cycle effects with and without including life-cycle effects results of their children. Predictions for Iraq and Somalia are shown with the reference mean value for native-born Finns being 0 Euros.

Table 1: *Life-cycle effects for those migrants from Iraq and Somalia moving to Finland between the ages of 20 to 24, with the reference mean value for native-born Finns being 0 Euros. Euro values are in '2015 Euros'.*

Country of origin	Not including children's effects:		Including children's effects:	
	Expected Value (€)	(SD (€))	Expected Value (€)	(SD (€))
Iraq	-690,000	(623,000)	-844,000	(1,227,000)
Somalia	-951,000	(801,000)	-1,343,000	(1,769,000)
<i>Finland</i>	0	(898,000)	-	(-)

For example, the average life-cycle impact prediction for a migrant born in Somalia is -951,000 Euros per person without the effect of children. On the other hand, the impact is -1,343,000 Euros if children's effects are included. The standard deviations are those pertaining to probability distributions of the life-cycle effects predictions.

For the predictions for native-born Finns, the government (state and municipal) education expenditures are included for Finnish children between the ages of 0 through 19 - similar amounts have not been included in the calculations for Iraq and Somalia.

In 2016, after the 'migrant crisis' of 2015 in Finland, a total of about 750 million Euros was allocated in the government budget for migrant reception (620 million Euros) and for 'social and cultural integration' (134 Euros). These were the only funds specifically targeted for migrants - and it was to be allocated only for the first few years of a migrant's residence in Finland. Calculated life-cycle effects estimates - using government budget data - shows a sum of 50,000 Euros per person over the first few years. When this amount is compared to the expected values in Table 1, it can be seen that:

The asylum-seeker and refugee expenditure in the state budget is only about 4–6 % of the entire accumulated life-cycle negative effects.

5. Second-generation of migrants.

It is found that for the second-generation of migrants that have grown up in Finland, the rate of social and economic exclusion is 6-8 times higher than for native-born Finnish young adults. The life-cycle effects results in the study are based on what is known about the 22 year old second-generation migrants as compared to 'Finns' of the same age.

Table 2 shows the exclusion rate as well as the percentage of the group receiving government 'income support.' The 'migrant second-generation' includes those children who have been born in Finland and those that moved to Finland before the age of 8 years.

Even though these 2nd-generation young migrants have received their entire basic education in Finland, the rate of exclusion and income support remains at 6-8 times higher than native-born Finnish young adults.

Table 2: *Migrant children born in Finland or moved to Finland before the age of 8. Percentage of 22 year old migrants affected by exclusion and income support recipients. 22 year old native-born Finns as reference. Source of data: Register - 'Statistics Finland'.*

	Iraq	Somalia	<i>Finland</i>
Affected by exclusion (%)	24	34	4
Income support recipients (%)	50	49	11

6. Missing fiscal effects.

Not all fiscal effects have been accounted for in the study. If those 'missing' items would also be recognized, the effects for persons born in Iraq and Somalia would have been even more negative as compared with the native-born Finnish population.

Some of those are:

- Payments made by individuals for public services for 'old age' persons (these depend on the amount of pensions received, which are predictably very low for asylum-seekers).
- Part of the migrant reception and integration costs - as well as other costs for migrants paid for through state and municipal appropriations.
- For immigrants, unit costs of health services can be double the amount of native Finns (because time needed for translation, etc.).

7. Conclusion

In the fields of economics and statistics where a situation contains elements of uncertainty, 'decision theory' (also called 'decision analysis') has been developed to maximize the expected utility for the decision-maker from his decisions. From the Finnish public finance point of view, this means that no new migrants should be welcomed to Finland when the expected values of life-cycle effects, discounted to present value, are negative. Hence, because all expected values of life-cycle effects, discounted to present value, are negative for all migrants born in Iraq or Somalia:

The conclusion of the study is that from the standpoint of the public finances of Finland it is not beneficial to take any migrants born in Iraq or Somalia.

The same conclusion holds for whichever way the results are broken down: by age, by years of education, the age when the migrant arrives in Finland or their employment status. Quite simply, there is no net benefit for Finland to accept asylum-seekers or quota refugees from Iraq and Somalia when the 'revenues to Finnish public finances in Euros' and 'expenditures in Euros to Finnish public finances' are actually counted and compared over whole life spans.

The conclusions here do not change if the level of uncertainty with respect to the future is increased, with 'white noise', as the expected values remain the same even though the prediction standard deviations increase. Only if there would be reliable outside data affecting paid taxes, social benefits, etc. - amounting to hundreds of thousands of Euros - would there be a change giving a positive effect.

8. Reliable and credible.

The life-cycle effects given in this study are both reliable and credible. They are based almost entirely on data from official national registers of the Finnish 'Statistics Finland' agency and the Ministry of Social Affairs and Health's 'National Institute for Health and Welfare.' The data - at a personal level - covers taxes paid (including those on taxable benefits), revenue transfers, public services received, financial consequences of criminal convictions, etc. from 1995 through 2011 and 2014.

Life-cycle impacts effects from residence time in Finland, net effects from the working-age population and actual payrolls.

The following is a list of what makes the life-cycle effects predictions of this study reliable and credible:

- 'Residence time in Finland' data has been handled accurately and reflect 'out- and in-' flows of migrants realistically in the accounting of life-cycle effects.
- Estimates of the net impact of youth and those of a working age (15-62 years of age) reflect data in official registers. Data categories of residence time, migrant age, year of immigration and gender are taken into account.
- Predictions of 'work earnings'-related pensions, national and guaranteed pensions for native-born Finns are in accordance with the long-term forecasts of the government agency 'Finnish Centre for Pensions' (2016). The prediction models for wage payments data also corresponds to register data of wage payments.
- Other parameters - such as discount rates and development in real wages - are based on relevant data. Predictions of these parameters are based on probability distributions - which are made to contain a lot of uncertainty with regard to the future.
- Very similar results can be obtained for life-cycle effects for the migrants' children if they would be calculated using the minimum estimated values from the Finnish Institute for Health and Welfare (2018) as related to the negative effects of 'exclusion' on 'life-cycle impact.'
- Average 'life-cycle impact effects' for populations '- under 15 and - over 62' years of age on matters other than pensions are taken from other Finnish research projects and statistics.

Citations of the first part of the research project (*Realized Fiscal Revenues and Expenditures*) & Expert Hearings:

I [Finland's biggest newspaper] Helsingin Sanomat 24.3.2017: "Asylum seekers do not get employed – employment of the people from Iraq and Somalia is particularly weak":

"The most precise estimate of the realized costs [of the refugee crisis] so far has come from the researcher Samuli Salminen from the Finns Party's think tank Suomen Perusta. [...]". Matti Sarvimäki, VATT Institute for Economic Research.

II Matti Sarvimäki (VATT): "Labor Market Integration of Refugees in Finland", Valtion taloudellinen tutkimuskeskus 2017:

"Salminen (2015) presents a detailed comparison of the social benefits and the use of public services among immigrants living in Finland by country of birth." (s. 2).

III Nordic Economic Policy Review 2017 – Labour Market Integration in the Nordic Countries.

Matti Sarvimäki: "Labor Market Integration of Refugees in Finland":

"Salminen (2015) presents a detailed comparison of the social benefits and the use of public services among immigrants living in Finland by country of birth." (s. 93).

IV Jere Päivinen (Ministry of Social Affairs and Health 2017): WHAT DO WE KNOW of the ECONOMIC IMPACTS OF IMMIGRATION? Review of the economic implications of immigration:

"The studies used in the review did not contain information on the reason for immigration. However, a country of origin based analysis (Salminen 2015) makes it possible to deduce that the most negative public financial effects per capita are the result of humanitarian immigration and the most positive public financial effects come from the employment-based migration." (p. 60).

V Researcher Samuli Salminen has been heard as an expert on immigration and public finances by the Employment and Equality Committee of the Parliament of Finland on 15.10.2015.

VI Researcher Samuli Salminen has been heard as an expert on immigration and public finances by officials from the Hungarian Ministry of Finance on 2.12.2015.

For more information about the research project, please visit our web page in English:
<https://www.suomenperusta.fi/in-english/>