Immigrants participation in the social assistance program in Finland

Is there a difference between immigrant and native participants and does the time spending in the new country affect their probability of using social assistance?

1. Introduction

The word immigration has been an important and hot topic for researchers and political parties since many years back in European countries, especially during the fiscal year 2015 due to the increased number of immigrants, Finland like few other countries in Europe has also received a high number of immigrants between 2015-2019, According to "statistic Finland", the highest number in this period was recorded in 2016 with 34,905 registered immigrants. For every government the process of integration costs too much and requires more resources to use, those individuals and families whose income and assets do not cover their essential daily expenses, governments offer them different types of social assistance programs to fulfil their needs. Considering the basic needs of citizens, the high number of immigrants and the cost of the integration process made us interested to do our research on this relevant topic. In Finland, Kela is a government agency that provides basic economic support for people who are in need of financial aid, the program is called social assistance (Kela, the Social Insurance Institute of Finland). When we investigate the participation of immigrants in the social assistance program, the first question that comes up to our mind is, "to what extent they participate in the social assistance program. In this paper we will analyze the immigrant's participation in social assistance programs in Finland, further, we will examine if *there is a difference between immigrant and native participants and does the time spending in the new country affect their probability of using social assistance?* do they take more advantage of social assistance or do they deny to rely on social assistance when they spend more time in the new country? To carry out this research we will use the data from the "European social survey" which is collected based on face to face interviews in Finland.

However, there are several studies that have been done on this issue but we will contribute by including language skill as a human capital variable which will help us to focus deeply on the topic and discover an accurate result.

2. Literature review

As we have mentioned in the introduction section that nowadays immigration is a very important topic, especially when it comes to the integration and assimilation process. With regards to the importance of the issue, there are several previous studies that have been done on this issue and the welfare system. This part will include previous studies which have been done on welfare benefits programs in Finland and few other countries.

1. Hanson and Lofstrom (2003): The study is about immigration and welfare benefits in Sweden, the authors focused on two questions in the research. The first one is why immigrants have a bigger share of welfare compared to natives and if age, family and education have an impact on that immigrants use more welfare than natives? The second question focuses on how immigration affects welfare expenditure and if an immigrant's use of welfare will change over time as they spend more time in the host country? They also looked at the use of welfare between individuals that can be characterized as non-refugee and refugee.

2. Blau, Francine D (1984): The study is focusing on the welfare participation difference between native and immigrants. The objective of this paper is to find why immigrants and natives use different welfare benefits programs. Blau (1984) found that immigrants' use of welfare benefits is higher compare to the natives. He also found the changes by using one cross-section which means that he could not sort out any cohort effects and age effects in the paper, that's why his paper was criticized by Borjas and Trejo (1991).

3. Borjas and Trejo (1991): the study is about immigration´s participation in the united states welfare system and investigated if there are any cohort and assimilation effects. To understand the effect Borjas and Trejo used two crossed sections method in the different censuses, 1970 and 1980. They focused on the impact of cohort effects and if there were any differences due to immigrants' background, which means if the immigrant's use of welfare depended on which country they came from. They also look at the assimilation effects and if the welfare participation changed over time.

4. Mats Hammrstedt (2009): The author in this study attempts to focus on immigrants assimilation and participation in the social assistance program. He investigates if there are any differences between immigrants from Nordic, Western Europe and other parts

of Europe when it comes to welfare usage. To estimate the participation rate The author used a probability regression method which will be used in this paper as well.

5. Matti Sarvimäki (2011) did a study with a focus on the use of social benefits by immigrants and the labour market performance of immigrants in Finland between 1993-2003. Matti investigates the use of social benefits between natives and Non-OECD immigrants. Matti (2011) use panel data with all information on social assistance for the natives and immigrants.

6. In another Study, Matti Sarvimäki (2017) investigated if certain immigrants use more social benefits than others in Finland and what is the reason behind it. Matti (2017) measures benefits as the equivalence-scaled sum of all income received by immigrants during a calendar year. He used panel data with the information on benefits for the years 1995-2013 among eight immigrants groups.

In this paper, we will attempt to examine the participation of immigrants and natives when it comes to the social assistance program in Finland, further, we will investigate the level of participants between immigrants and natives. Is there a difference in the percentage of participants between immigrants and native in Finland or does the time spending in the new country affect their probability of using social assistance?

3. Theoretical Background

We consider that human capital theory and Borjas (2016) labor market discrimination theory are relevant to our research area and helpful when we examine the question.

3.1 Human Capital theory

Chiswick in this theory provides us with some description about the immigrants who take more advantage of social assistance than the natives.

3.2 Discrimination in the Labor Market.
3.2.1 Taste-based disrimination
The theory was presented by Nobel Laureate Gary Becker, he bases his theory on the concept of taste-based discrimination in the labor market, he argues that the concept describes ethnic prejudice in an economic context.

3.3 Statistical discrimination

Statistical discrimination is based on an assumption that an employer makes about immigrants and it has a connection with the previous incident, for instance, an employer may not have any problem working with an immigrant, but assumes that immigrants have low productivity than natives, and thus chose the native.

3. Methodology

In this study, we will examine and investigate the participation of immigrants in social assistance programs and also look at the differences in the percentage of participants between immigrants and natives in Finland. With the help of linear probability, we will estimate immigrants' probability to participate in social assistance programs compared to native and also estimate the assimilation effect for immigrants and estimate the probability to receive social assistance in different cohorts in per cent.