Essays on the Economics of Migration and Geography

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Abstract

This thesis consists of three empirical essays examining the consequences of migration and residential choices from the perspective of moving individuals.

The first essay examines whether Finnish children’s completion of upper secondary education is associated with the upper secondary completion rates they are exposed to in their childhood municipalities of residence. The empirical estimation exploits between-sibling variation in moving siblings’ childhood exposure to completion rates to account for families’ non-random sorting into municipalities based on their unobservable characteristics. Conditional on these unobservables, children with a 10 percentage points higher exposure to completion rates in their childhood municipalities have a 1.9 percentage points higher likelihood of completing the degree themselves. Children with a more disadvantaged family background respond stronger to their childhood exposure. The impact of childhood exposure to completion rates does not reflect influences arising from changes in children’s own family conditions, differences in other socio-economic characteristics of their childhood municipalities, or geographical differences in the access or returns to upper secondary education.

The second essay investigates immigrants’ labor market entry in Finland and Sweden, host countries with similar labor market institutions but large differences in their immigration histories. Nonetheless, immigrants’ early integration processes in the two countries are remarkably similar. Immigrants tend to enter low-wage establishments where coworkers and the manager often are from the same origin region, but there is notable variation in entry characteristics by immigrants’ region of origin. The characteristics of entry jobs are strong predictors of immigrants’ entry and future earnings and job stability in the host country. The results suggest there are regularities in immigrants’ labor market integration and ethnic segregation that are largely independent of the immigration history and ethnic diversity of the host country.

The final essay documents the educational, crime and medical use outcomes of immigrant youth living in Finland and discusses what they suggest in terms of their integration into the Finnish society. The essay finds that in comparison to the children of natives, immigrants’ offspring obtain less education, are more likely to be sentenced of a crime, and use less medical services. However, the differences become more nuanced once we condition on other parental background characteristics, suggesting that the observed differences do not merely stem from immigrants having a worse socio-economic background or living in poorer neighbourhoods than natives. The results are consistent with the hypothesis that Finnish welfare services designed to aid

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Tiivistelmä

Väitöskirja koostuu kolmesta empirisestä esessästä, jotka käsittelevät muuttamisen ja asuinpaikkavalintojen seurauksia seurauksia muuttajien näkökulmasta.

Ensimmäinen essee tarkastee, onko suomalaisnuorten todennäköisyys suorittaa toisen asteen tutkinto yhteydessä heidän lapsuusaikansa asuinikunten toisen asteen suoritusaskeleisiin. Empirinen analyysi hyödyntää kunkin välillä muuttuvien sisarusten välisiä variatiota kokemuksissa eri suoritusaskeleista korjatakseen perheiden välisistä havaitsemattomista eroista johtuvia epäsitunnaisia asuinikuntavaihtoja. Näitä erot huomioituna, lapset joiden lapsuusaikana kokemat suoritusasteet ovat keskimäärin 10 prosenttirykskkää korkeampia, suorittavat itse toisen asteen tutkinnon 1,9 prosenttirykskkää todennäköisemmin. Sosioekonomisesti heikommassa asemassa olevien vanhempien lapset reagoivat enemmän lapsuusaikanaan kokemiin suoritusaskeleisiin. Lapsuusaikana koetut suoritusasteet eivät heijasta perheen sisäisiä muutoksia, eroja kunten sosioekonomisessa rakenteessa, tai maantieteellisiä eroja toisen asteen koulutuksen saavutettavuudessa tai taloudellisessa tuotossa.


Kolmas essee dokumentoi maahanmuuttajien lasten koulutukseen, rikollisuuteen ja äidikkeiden käyttöön liittyviä tulemia, ja pohtii mitä tulokset kertovat näiden lasten integrointiasteesta suomalaiseen yhteiskuntaan. Verrataessa suomalaistaustaasiin lapsiin, maahanmuuttajien lasten koulutustaso on heikompi, he tekevät todennäköisemmin rikoksia, ja käyttävät vähemmän lääkepalveluita. Lasten erilaiset perheautotukat huomioittuna, näitä erot maahanmuuttajajen- ja suomalaistaustaisten lasten välillä muuttavat huononna, viitaten siihen ettei maahanmuuttajalasten heikompi pärjääminen kohtu vain heidän sosioekonomisesta asemastaan tai asuinmyyriäistötään. Tulokset tekevät hypoteesia siitä, että heikommassa asemassa oleville

Avainsanat

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Though a rewarding process as a whole, occasionally writing this dissertation felt like a steep upward hill with no end in sight. Fortunately, I was not alone on this hike, and received some important pushes and nudges from several people along the way.

First, I would like to thank my thesis supervisor, Matti Sarvimäki. He was the one who sparked my initial interest in the economics of migration and geography, and throughout the years he was an inexhaustible source of help and encouragement. Co-authoring two of the essays with him was particularly insightful, and his advice for and comments on my single-authored essay were no less constructive and perceptive.

I had the privilege to collaborate also with Ulla Hämäläinen and Olof Åslund on two of the essays. Not only do I value their concrete contributions, but also having the opportunity to observe and learn from their thought processes and their ways of conducting research. I am also appreciative of all the helpful discussions with the members of my thesis committee over the course of the dissertation process.

I am grateful to my opponent and pre-examiner Albrecht Glitz, and pre-examiner Mika Kortelainen for taking the time and effort to read and comment on my dissertation – I hold their close scrutiny of my work in high regard. I also acknowledge the financial support from OP–Pohjola Group Research Foundation, Aalto University School of Business, HSE Support Foundation, Foundation for Economic Education and Yrjö Uitto Foundation.

Many fellow PhD students have been of great support over the years. In particular, I value the reflective talks I had with Annaliina, Eero and Timo, with whom I shared an office at the later stages of the process. Knowing exactly what writing a dissertation can be like – at its best and at its worst – they provided me some much needed reassurance. I am also thankful
to my superiors and colleagues at Pellervo Economic Research, who were more than accommodating to the time needs I had when finalizing the dissertation.

I have always been able to trust my parents to support me in whatever project I have taken up in life. In this one, what proved to be especially important was how they helped me to put the work I was doing into perspective. Lastly, I owe a great debt of gratitude to my partner Lauri. Thank you for teaching me to take pride in even the intermediary steps along the way, and for reminding me to ease up the pace at times. Thank you for treading the ups and downs of the process with me – it is finally the time to take in and appreciate the view from the summit.

Laura Ansala

Helsinki, September 2018
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### Immigration History, Entry Jobs and the Labor Market Integration of Immigrants

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List of Essays

This thesis consists of an introduction and the following essays.


2. Ansala, Laura; Åslund, Olof; Sarvimäki, Matti. Immigration History, Entry Jobs and the Labor Market Integration of Immigrants

3. Ansala, Laura; Hämäläinen, Ulla; Sarvimäki, Matti. Slipping through the Cracks of a Welfare State? Children of Immigrants in Finland
List of Essays
Introduction

Moving and migration are constantly increasing phenomena in magnitude. In 2016, Finns made over 282,000 moves between municipalities in Finland, the number having increased by nearly 19% from the beginning of the millennium. Though notable, this development pales in comparison to the three-fold increase in the number of persons of foreign nationality moving to Finland, from mere 9,100 in 2000 to 27,300 in 2016 (Official Statistics of Finland, 2017). With the processes of urbanisation and globalisation showing no signs of slowing down, more and more people are likely to be affected some way by the ever increasing streams of people migrating within and between countries.

Migration and residential contexts of individuals are in the core of the three essays of this thesis that examine the consequences of these locational choices have to the moving individuals. How a change in residential location shapes the life course of movers depends not only on the institutional, socio-economic, social and cultural conditions of both the source and destination location, but also on movers’ personal characteristics, attitudes and their reasons for migration. Alongside with how residents in the receiving locations respond to the new arrivals, these factors contribute to whether and how movers adjust to the conditions and ways of living in their new environment.

The first essay of the thesis examines residential choices of natives within Finland to establish whether exposure to different upper secondary completion rates in childhood municipalities of residence is associated with youth’s completion of upper secondary education. The two other essays focus on immigrants to Finland. The first one sheds light on the integration process of adult immigrants through characterising their labor market entry and subsequent economic outcomes, and contrasts this to immigrant assimilation in Sweden to investigate whether host country’s previous
experiences of immigration are related to how new migrants fare. The final essay documents how the children of immigrants in Finland compare to native children in terms of their educational, crime and health outcomes in early adulthood, and discusses the findings in light of how well Finnish welfare institutions seem to be reaching different groups of children.

The first essay examines whether and how Finnish children’s completion of upper secondary education is associated with the upper secondary completion rates they are exposed to in their childhood municipalities of residence. Despite Finland having the reputation as a country with small between-school differences and high intergenerational mobility, youth’s educational attainment varies quite notably by the municipalities they grow up in, as well as by their family background. The nature and relationship of these variations is not clear, however: The geographical variation could arise from the characteristics of the locations themselves, or it could merely reflect the characteristics of families that have chosen to live in these locations. As completing upper secondary education serves as an important hedge against adverse labor market outcomes and societal exclusion more generally, it is important to understand what kind of a role childhood municipalities of residence have in shaping youth’s educational attainment.

The rich panel data underlying the analysis draws on a number of administrative registers, and enables the rigorous empirical investigation of this question. What is particularly essential methodologically is to address the non-random sorting of families into municipalities. Families may choose to reside in particular ones in unobservable ways, potentially with the aim of enhancing their children’s chances of educational and labor market success. Such selection may – when ignored – lead to severe selection bias in the estimated effect of childhood exposure to municipal completion rates. To eliminate this potential bias, the estimations exploit between-sibling variation in this exposure, in a sample of moving siblings born between 1988 and 1993 and observed at age 20 when their educational attainment is measured.

Importantly, the data also contains information on children’s municipalities of residence from birth until early adulthood. This makes it possible to account for how all of these locations, and the different amounts of time spent in each of them, may contribute to children’s educational attainment. Moreover, detailed information on children’s and their parents’ background allows the examination of how children’s responses may vary depending
on their family conditions. Non-random selection, length of exposure and effect heterogeneity are all issues that have been prominent in the related literature studying neighborhood effects on children’s outcomes, and the contribution of this essay is to address them all in one, unified framework.

The essay shows that conditional on unobserved fixed family characteristics, children who are exposed to 10 percentage points higher completion rates in their childhood municipalities have a 1.9 percentage points higher likelihood of completing the degree themselves by age 20. A deeper investigation of the association by children's family background reveals that the more disadvantaged children are in terms of their family background, the stronger their response to childhood exposure to completion rates is. Examining the channels through which the association could come about, on the other hand, shows that the estimate for childhood exposure to completion rates does not seem to capture influences arising from changes in children’s own family conditions, differences in other socio-economic characteristics of their childhood municipalities, or from geographical differences in the access or returns to upper secondary education. Nonetheless, childhood exposure to completion rates is likely to reflect a number of influences that could be, inter alia, social, economic, or institutional by nature.

The second essay of the thesis investigates the labor market entry patterns and subsequent assimilation of immigrants in Finland and Sweden. It provides new evidence on immigrants’ transition to the labor market and thus contributes to a better understanding of labor market integration. Examining immigrants’ labor market entry and subsequent outcomes in these two countries is informative of the extent to which the prospects of immigrants are associated with the pre-existing ethnic networks they encounter in the host country: Though Finland and Sweden are similar in terms of their economic and societal conditions and formal labor market institutions, immigration to Finland has been notably more limited than to Sweden. Through the use of comparable and high-quality longitudinal employer-employee data, this essay uncovers characteristics of immigrants’ labor market entry processes that have not been studied before, and appears to be the first cross-country comparison of workplace ethnic segregation of this detail.

The empirical analysis pertains to 18–60-year-old immigrants who resided in Finland and Sweden between 1990 until 2010. The essay begins by showing that transition to the first job and entry job characteristics of immigrants are very similar in Finland and Sweden. Entry takes place
Introduction

predominantly through low-wage and immigrant-dense establishments. In particular, coworkers and managers from the same origin region as the immigrant herself are highly overrepresented relative to a situation where immigrants would randomly sort across entry establishments. Though ethnic segregation at entry jobs is notable and increases among more recently arrived immigrant cohorts, there are also large differences between immigrant groups.

The similarities of the two host countries continue in the way how immigrants’ entry job characteristics predict their initial and later labor market outcomes. There is a non-linear relationship between coworker ethnicity and entry earnings. Relative to immigrants entering establishments with a moderate share of other immigrant or same-origin coworkers, those starting out as the establishment’s only immigrant and those in jobs with a very high concentration of immigrants have worse outcomes. Immigrants with a same-origin manager at their entry job have higher initial earnings, longer initial employment spells, and higher later earnings than similar immigrants starting in native-managed establishments.

In light of existing literature underscoring the centrality of ethnic networks to integration, and Sweden having more experience in hosting immigrants than Finland, the roles of immigrant origin and segregation could have been expected to be different in the two host countries. Moreover, the unobserved characteristics of immigrants to Finland and Sweden are also likely to differ from each other, and Finland’s and Sweden’s labor markets – though similar in many respects – are certainly not identical. Nonetheless, the essay finds strong similarities in the relative patterns of labor market entry and performance of immigrant groups in Finland and Sweden. Though not generalizable, this finding suggests that host country’s immigration history has little bearing on the labor market performance of immigrants who are otherwise similar in their broad observable characteristics.

The final essay examines the educational attainment, criminal sentences and use of medical services of immigrants’ children living in Finland, and discusses what they suggest in terms of their integration into the Finnish society. Finland is often lauded as a country that provides all its members with equal opportunities to succeed in the society, but it is not evident that the measures intended to do this truly reach all the disadvantaged in a similar manner.

This essay contributes the literature on the outcomes of immigrants’
children by investigating several different outcomes with the same empirical methodology. Moreover, its documentation of college enrolment, criminal sentences and use of medical services among immigrants’ children in Finland seems to be the first of its kind. The analysis uses rich data drawn from several administrative registers, and is based on a 20% random sample of the population born between 1967 and 1990. The focus is on individuals born between 1975 and 1985, and their outcomes by the time they reach age 23.

Compared to children of natives, immigrants’ children obtain less education, are more likely to be sentenced of a crime, and use less medical services by age 23. However, the differences become more nuanced conditional on parental background characteristics, suggesting that the observed differences do not merely stem from immigrants having a worse socio-economic background or them living in poorer neighborhoods than natives. For instance, conditional on parental background, parent’s immigrant status is not associated with lower educational attainment or higher conviction rates for the children of immigrants from OECD countries or the former Soviet Union. In fact, they are more likely to be enrolled in college than children of comparable natives. However, large gaps remain for children of immigrants from other regions. Conditioning on parental background only increases the differences in the use of medical services for all immigrant groups.

The realization of the outcomes under study have to do with institutional knowledge, or the lack thereof – acquiring and understanding information about the Finnish educational, health care and justice systems and processes. Even though this descriptive analysis is limited in its power to distinguish between underlying mechanisms, the results are consistent with a working hypothesis that welfare institutions designed to aid disadvantaged natives do not similarly reach the children of immigrants, particularly those coming from poorer countries.

References
