



SOCIAL IMPACT BONDS ALLOW PRIVATE INVESTORS TO FINANCE MEASURES THAT IMPROVE AND SPEED UP THE INTEGRATION OF IMMIGRANTS, ESPECIALLY REFUGEES, INTO THE LABOUR MARKET.

PROMISING PES PRACTICE¹

Social Impact Bonds for the employment of immigrants² (SIB)

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FINLAND

The Finnish PES are trialling a new three year social innovation programme to improve the integration of immigrants into the labour market. This was introduced in response to the 2015/16 refugee crisis which created new challenges for the Finnish government given the significant rise in the number of refugees coming into the country.

The innovative trial is based on a SIB model, whereby private investors finance measures that offer job matching assistance and education to immigrants. This is intended to help immigrants find employment quickly, and allow them to continue integration training in the workplace. Investors bear the financial risk, and the Finnish PES can save money from payment of labour market support and training costs. The measure may also help to overcome the slow and inefficient integration process for immigrants.

If positive results are achieved and immigrants find employment, the Finnish PES pays back part of the investors' capital using the surplus savings, along with profit on their investment.

Name of the PES

Finnish PES (TEM), under the Ministry of Economic Affairs and Employment of Finland (MEAE) . The Ministry of Economic Affairs and Employment, Epikus Oy, an impact investment management company as the project coordinator, the employment offices and service providers are key partners of the project.

Scope of measure

Pilot project which is mainly carried out in Uusimaa and south-west Finland.

When was the practice implemented?

The measure was introduced on a pilot basis in 2016 and the pilot is due to end in 2019.

What was the driver for introducing the practice? Was it internal or external?

Following the 2015/16 refugee crisis, the number of refugees coming to Finland significantly increased, and the number of applications for asylum in Finland were above the EU average. However, the integration process for refugees is slow and inefficient, and it takes much more time for refugees to enter the labour market than it does for natives. For years, immigrants' unemployment rate has been 2.5 times higher than that of the native population, with refugees' unemployment rate being the highest amongst the immigrant workforce.³ These new challenges and impacts of the refugee crisis, coupled with large public funding challenges, have led to the need for the Finnish PES to implement innovative tools and initiatives for facilitating and financing refugees' entry into the labour market.

As a result, the Finnish PES decided to trial a new initiative which had only recently been used for the first time in Finland. This involved using the SIB model of impact investing⁴ to finance and facilitate the rapid employment of refugees, by bringing tailored training to workplaces whilst shifting the funding burden to the private sector. This enables private capital to be used for activities that the public sector cannot afford.⁵

1 Practices referring to promising changes/reforms/approaches.

2 The measure targets immigrants, especially refugees given the increased pressure from the refugee crisis.

3 Vanska-Rajala, K. (2016). *Integration of refugees: Challenges and good practices*. Department of Employment and Entrepreneurship/Integration of Immigrants, Ministry of Employment and the Economy. Presented in Tallinn 31st March – 1st April 2016. Internet: https://www.norden.ee/images/regional/info/migra/conference2016/migra2016_KatjaVanskaRajala.pdf

4 Impact investing is a type of investment which aims to generate specific beneficial social or environmental effects, in addition to financial gain.

5 Ministry of Economic Affairs and Employment (2015), *Private investment to boost employment of immigrants*. Press release. Internet: https://tem.fi/en/article/-/asset_publisher/maahanmuuttajien-tyollistymista-tehostetaan-yksityisella-paamalla

What is the practice / change / reform trying to achieve?

The SIB model of impact investing is currently being trialled for three years as a way of getting immigrants into employment quickly through private investment. In order to achieve this, the project creates links between workplaces and integration training, and explores how to meet employers' recruitment needs. The aim is for immigrants to enter the labour market on average two months after integration training has begun, which will contribute to their wellbeing and integration into Finnish society.⁶

The project's objective is to train and employ at least 2 000 immigrants until the end of 2019, while helping employers find the skilled labour they need. This project is therefore expected to meet the needs of both immigrants and employers. The quick employment of immigrants will also help the government to save on the costs associated with the payment of labour market support and integration training costs for adult immigrants, as well as increase tax revenue.⁷ The model encourages the development of cost-effective solutions by placing a heavy focus on achieving positive deliverables.⁸

What activities are planned to deliver this?

Activities carried out include the following:

- ▶ The SIB model works by allowing the private sector to invest in employment and education activities which speed up the process of employing immigrants. As a result, investors bear the financial risk and the state saves money. The SIB is a form of payment-by-results. If the project's objectives are met and there are proven outcomes, the Finnish PES will pay part of the surplus savings into a fund from which the investors will be paid back their capital, along with a profit on their investment.⁹ In this case, proven outcomes would be when an immigrant finds employment.
- ▶ The trial requires finding employers who are interested in hiring immigrants and offering them workplace training. These are companies representing sectors that have difficulties in finding workforce, such as manufacturing, construction, property, services, care, ICT and restaurants and catering.¹⁰
- ▶ The employment of immigrants is facilitated by providing them with work-life oriented training, which is continued during employment. The training is customised according to what is needed to do the job, and includes language, culture and professional skills studies.¹¹
- ▶ Before the project began, the Finnish PES published a prior information notice of competitive tendering for potentially interested parties to manage the project. Epiqus Oy was chosen and appointed as project coordinator and fund manager for this trial. They are responsible for building the necessary cooperation network, collecting funds from investors, selecting education providers that will supply training for immigrants, as well as establish contact with potential employers. The Finnish innovation fund, Sitra, is the coordinating body that introduced and organised the first SIB in Finland, and is acting as a consultant in the SIB pilot.¹²

6 *Ibid*

7 Ministry of Economic Affairs and Employment (2016), *New trial aims to employ thousands of immigrants*. Press release. Internet: https://tem.fi/en/article/-/asset_publisher/uuden-kokeilun-tavoitteena-tyollistaa-tuhansia-maahanmuuttajia

8 European Commission (2017), *Investment Plan for Europe: First social impact bond scheme in Europe supports integration in Finland*. Press release. Internet: https://ec.europa.eu/commission/commissioners/2014-2019/katinner/announcements/investment-plan-europe-first-social-impact-bond-scheme-europe-supports-integration-finland_en

9 Ministry of Economic Affairs and Employment (2016), *New trial aims to employ thousands of immigrants*. Press release. Internet: https://tem.fi/en/article/-/asset_publisher/uuden-kokeilun-tavoitteena-tyollistaa-tuhansia-maahanmuuttajia

10 *Ibid*

11 *Ibid*

12 *Ibid*

- ▶ The European Investment Fund (EIF), with support from the European Fund for Strategic Investments, has made an investment of EUR 10 million into the SIB scheme.¹³ EIF has a lot to gain from its investment if positive results are achieved, therefore they have invested time in developing the professional skills of staff at Epikus Oy.
- ▶ The pilot project is being implemented nationally in cooperation with separately selected local PES.¹⁴ The experiment is first carried out in Uusimaa and south-west Finland, and will be extended to regions where there is a shortage of labour.¹⁵
- ▶ The trial will compare two groups of immigrants as a way to measure the impact of this project. One group includes participants in the trial who try to find employment quickly and undertake workplace integration training. The four-months training, delivered by providers, consists of language courses, information about the Finnish society and career counselling. The second group includes immigrants who follow the usual route of first receiving integration training, and then entering employment (some may choose to also pursue individual studies in-between the two stages).¹⁶ The randomised control group consists of 500 – 1 000 immigrants.
- ▶ The SIB model requires that the project has measurable performance objectives. It therefore sets specific, formal targets for impact on well-being and economic results, the achievement of which are also regularly monitored and measured.¹⁷ A key performance indicator looks at the income taxes paid and savings made in unemployment benefits during the trial period, compared to the randomised control group.

What are the early observations?

The SIBs are expected to support the integration of at least 2 000 immigrants. In September 2018, 1 082 participants have started the trial (74% are male and 26 % female, the educational background of the participants varies) and 320 were already in employment.

In terms of project implementation, constant communication between the partners and an understanding of the process and each other's roles is important to meet the objective of the project.

This trial model and the lessons learnt from it will be used in a future SIB project for employment, which will aim to promote the employment of young and long-term unemployed people. An example of an employer where this model is proving to be successful is 'Valmet Automotive', which is recruiting a large number of employees who are motivated and committed to their work. The company expressed that immigrants have shown to fill these roles well, and plans to continue recruiting them in the future. The company also values the important role they play in supporting the integration of immigrants by offering them employment.¹⁸

13 European Commission (2017), *Investment Plan for Europe: First social impact bond scheme in Europe supports integration in Finland*. Press release. Internet: https://ec.europa.eu/commission/commissioners/2014-2019/katainen/announcements/investment-plan-europe-first-social-impact-bond-scheme-europe-supports-integration-finland_en

14 Ministry of Economic Affairs and Employment (2016), *New trial aims to employ thousands of immigrants*. Press release. Internet: https://tem.fi/en/article/-/asset_publisher/uuden-kokeilun-tavoitteena-tyollistaa-tuhansia-maahanmuuttajia

15 Ministry of Economic Affairs and Employment (2017), *New inputs to boost immigrants' employment*. Press release. Internet: https://tem.fi/en/article/-/asset_publisher/maahanmuuttajien-tyollistymista-nopeutetaan-uusilla-panostuksilla

16 Vanska-Rajala, K. (2016), *Integration of refugees: Challenges and good practices*. Department of Employment and Entrepreneurship/Integration of Immigrants, Ministry of Employment and the Economy. Presented in Tallinn 31st March – 1st April 2016. Internet: https://www.norden.ee/images/regionaal/info/migra/conference2016/migra2016_KatjaVanskaRajala.pdf

17 Ministry of Economic Affairs and Employment (2016), *New trial aims to employ thousands of immigrants*. Press release. Internet: https://tem.fi/en/article/-/asset_publisher/uuden-kokeilun-tavoitteena-tyollistaa-tuhansia-maahanmuuttajia

18 Ministry of Economic Affairs and Employment (2017), *New inputs to boost immigrants' employment*. Press release. Internet: https://tem.fi/en/article/-/asset_publisher/maahanmuuttajien-tyollistymista-nopeutetaan-uusilla-panostuksilla



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