

Women refugees in tax-subsidized firms

Johanna Rickne

THIS REPORT COMPARES the share of women refugees in firms that receive a 50% tax deduction for labor costs under a tax scheme that was introduced in Sweden in 2007 to other sectors of the labor market. Policymakers and various stakeholders have described the tax deduction as an »engine of labor market integration« for women refugees. I find, in contrast, that subsidized firms are no more likely to employ this group than the private sector as a whole, and less likely to do so than other industrial subsectors with a predominance of elementary occupations.

Johanna Rickne, Professor of Economics at the Swedish Institute for Social Research (SOFI) at Stockholm University

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In 2007, Sweden introduced a 50% tax deduction for labor costs in firms that produce household services. This report describes the share of women refugees in firms that receive public money under this scheme. It finds that the scheme did little to improve the labor market prospects of this group, which is one of the most marginalized in the Swedish labor market.

Swedish administrative data gives a complete record of firms that receive the tax deduction. It also gives a complete record of the owners and workforces of these firms. I use a simple descriptive method to compare the share of women refugees in the subsidized firms to i) all private firms, and to ii) firms in two comparable industrial subsectors in terms of the predominance of elementary occupations: the commercial cleaning sector and the restaurant sector.

I find that the policy failed to improve the relative chances of employment and small business ownership of women refugees. Women refugees are no more likely to be employed or operate a small business in the subsidized sector compared to the private sector at large. Moreover, they are substantially less likely to do so compared to the commercial cleaning sector and the restaurant sector.

The results in the report are highly policy-relevant. Various policymakers, lobby groups and, pundits have described the Swedish tax deduction for domestic services as an »engine of labor market integration for women refugees. My results strongly contradict this claim. They also shed light on some misleading methods used in previous descriptions of the subsidized sector. One misleading method which strongly exaggerates the outcomes for women refugees is to use the commercial cleaning sector as a proxy for the domestic service sector. Another misleading method is to approximate women refugees with all foreign-born women. As my analysis shows, there is a large presence of foreign-born women in subsidized firms, but the vast majority of these women are immigrants from other EU countries who are not refugees.