

SNS RESEARCH BRIEF SUMMARY

Ethnic segregation and self-employment*

This report examines the effect of ethnic residential segregation on self-employment in Sweden. More specifically, it focuses on approximately 14,000 refugees from ten different countries who arrived in Sweden during 1990–1991. Refugees at this point in time were spatially placed in various municipalities by Swedish authorities as part of a dispersal strategy. The fact that the newly arrived refugees did not themselves initially decide on their place of stay is utilized to investigate the causal effects of the municipal conditions. The report primarily asks if refugees, who were placed in municipalities with more coethnics, as well as with more coethnics with certain traits, entered self-employment to a greater extent.

The study provides two main results. First, refugees who were placed in municipalities with more coethnics were not more likely to enter self-employment. This conclusion holds irrespective of whether the frequency of coethnics is measured using the absolute number, or the share of coethnics living in the municipality of arrival. The estimated null effect also applies to lower geographical levels, such as parishes.

Second, refugees who were placed with more self-employed coethnics did enter self-employment to a greater extent during the next few years. This result cannot be explained by the general business conditions in the municipality, the tendency for certain ethnic groups to become self-employed, or by the degree of marginalization within a particular ethnicity. The results are instead likely explained by networks and knowledge transfers. In other words, meeting skilled coethnics with business experience, matter greatly for self-employment entry.

If a higher self-employment rate is a policy goal, networking with entrepreneurs with similar background seems to be a good way forward. However, such a recommendation should be preceded by a discussion of whether more self-employment should be encouraged in the first place.

The report was presented at an SNS seminar in Stockholm on December 14, 2018. Houssein Alfak, president of Tensta Business Association, Maroun Aoun, director of Startfas segmented at Almi Företagspartner and national project manager at Almi Snabbspår, and Mats Hammarstedt, Professor of Economics at Linnaeus University commented on the report.

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* This is a summary of a research brief in Swedish “Bidrar etnisk segregation till mer egenföretagande?”.

