

# Parental leave – opportunity or obstacle for integration?

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# Summary

## Aim

A SUBSTANTIAL SHARE of immigration to Sweden consists of women and men of childbearing age, many of whom arrive with children. Newly arrived mothers being integrated into the labor market is a priority and well-directed social policies may be crucial in this regard. Parental leave is based on residence and was until recently also granted to parents with foreign-born preschool children. This study uses population and social insurance registers to investigate whether newly arrived immigrants use parental leave when they arrive and whether such use constitutes an incentive or obstacle with regard to future labor market activity.

This report focuses on immigrant parents arriving with children under the age of 8 and who thus up until recently had access to parental leave in Sweden. We analyze how this group uses parental leave and whether such use exhibits any association with labor market activity during the following years. The period being studied is 1995–2014.

Swedish parental leave lasts for 16 months and could until recently be used at any point in time until the child turns 8. For parents who immigrated with children under the age of 8, the entire leave period was granted even if the child had reached an age when children normally in Sweden attend preschool. The right to parental leave for children immigrating to Sweden has recently been restricted, but this report focuses on the period prior to this.

We focus on how immigrant mothers use parental leave, as such use among immigrant fathers is very limited, especially for those who do not have additional children during their first time in the new country.

If immigrant parents use parental leave for their children of preschool age, this may lead to a postponed entry into the

labor market. It may also lead to the children's integration, especially in terms of learning Swedish, being hampered as they cannot attend preschool while a parent is on parental leave. However, there may be short-term incentives for municipalities to encourage the use of parental leave as this is paid by the National Social Insurance Agency, while other forms of economic support and preschool costs are the responsibility of the municipality. There is thus a risk that the process of getting established in Sweden is postponed, especially for immigrant women who are the furthest from the labor market (e.g., refugees). In this study, we compare immigrant women from various countries of origin with return migrants born in Sweden in order to estimate the importance of using parental leave.

On the other hand, it is possible that access to parental leave benefits may facilitate the situation for immigrant families during their first period in Sweden, both economically and in terms of allowing time to settle before starting the search for a job. Using parental leave may also indicate knowledge of the Swedish social insurance system, contact with authorities and thereby a first step toward integration.

The report studies the use of parental leave among immigrant mothers during a period when this use was relatively unrestricted. The aim is to investigate whether parental leave serves as an incentive or an obstacle. Specifically:

- › Which mothers with children under the age of 8 used parental leave and how much did they use? We consider differences by year of immigration, country of origin, age of youngest child and number of children.
- › Is the use of parental leave associated with subsequent labor market activity? We consider whether potential associations differ with regard to mothers with different year of immigration, country of origin, age of youngest child and number of children.

The most common situation in Sweden is that both parents return to work after a period on parental leave. However, the situation may look somewhat different if one or both parents do not have any work to return to.

Being eligible for income-related parental leave benefits is dependent on previous work. The parents' income has to exceed the basic income level for 8 months before the child is born for income-related leave to be granted. In other cases, parental leave benefits are paid out at a basic level. The basic level was SEK 60/day (or SEK 1,800/month) up until 2001, after which it has increased in steps to the current level of SEK 250/day (SEK 7,500/month).

The increased immigration to Sweden implies that a larger share of parents today have not had the chance to work sufficiently to be eligible for income-related leave, thus instead receiving the basic level. Mothers from Africa and the Mid-

dle East are overrepresented among parents using parental leave at the basic level. Among mothers originating from Sub-Saharan Africa, the Middle East, North Africa and Turkey, about 50 percent used parental leave at the basic level in 2019, compared to 3 percent among Swedish-born mothers (Försäkringskassan 2019a). The percentage receiving the basic level has also increased among immigrant mothers. Among all women using parental leave, the proportion receiving the basic level has increased from 6 to 11 percent in the last 10 years, an increase mainly driven by immigrants from countries of origin for many refugees. As parental leave extends the period at home, it might make it more difficult to enter the labor market and the income of these mothers may be low for a long time. They also run the risk of becoming economically dependent on the other parent, and in the case of separation, a mother without work may face an economically difficult situation. There is a risk of child poverty in families where not both parents work.

There has been a great deal of political concern and measures aimed at encouraging immigrants to get established in the labor market. Refugees and their relatives encounter the greatest difficulties getting established, and a number of reforms are directed toward addressing this.

Two recent changes in the parental leave benefits have limited the availability of parental leave for immigrant parents who arrive with children born abroad. In 2014, an age restriction was introduced in terms of when parental leave days can be used, which meant that only 96 out of 480 days could be used after the child had turned 4. In 2017, a restriction was introduced for foreign-born children who become residents of Sweden after the child's first birthday. If the child is above the age of 1 when he or she becomes a resident of Sweden, a maximum of 200 days of parental benefit are paid out for this child. If the child is above the age of 2 when he or she becomes a resident of Sweden, a maximum of 100 days of parental benefit are paid out for the child. The right to parental leave is thus radically restricted. This report studies the period before the law was changed and may give us an idea as to whether to expect a change in the situation for newly arrived immigrant parents. The results may also tell us something about unintended consequences from the labor market and family policies. The study will furthermore tell us something about the importance of economic incentives in various situations and how such incentives, together with other factors, shape our behavior.

Studying the use of parental leave by recently arrived immigrant parents also highlights a number of conflicting goals in the parental leave insurance. The first conflict is between parental leave including an incentive to work while at the same time providing economic security for families with

young children. Second, there is a conflict between parental leave legislation encouraging gender-equal sharing and the parents' individual right to decide how to share the work of caring for their children. Third, there is a conflict between offering flexibility in how parental leave may best be used in each individual family and avoiding unintended consequences of such use in the labor market.

## Data and method

To address our research question, we use data from the population registers, which cover the entire population living in Sweden, including children and newly arrived immigrants. Swedish population registers collect all demographic events (birth, death, marriage, divorce, international migration and internal mobility). They also provide annual information on educational level, income, labor market attachment, social insurance benefits, including parental leave benefits. Individuals can be linked to their parents using the parent's personal identification number, meaning that all fertility, migration and uptake parental leave trajectory can be reconstructed.

We focus on children who arrived in Sweden between 1995 and 2014 and were below the age of 8. We link them to their biological parents (adopted children are excluded) and shift our focus to the mothers. We exclude inconsistencies and cases where the mother has a new child the year of arrival. Our final population is 82,800 women who immigrated between 1995 and 2014 with at least one child below the age of 8.

The information on parental leave use is annual. We present this indicator as the net sum of parental leave days used in a certain year as well as an estimation of the monthly use. For the year of arrival, the total number of days is standardized by month of arrival, and for the following years, the total number of days is divided by 12. The distribution of monthly parental leave days is divided into three categories: *no use* (0 days), *part-time use* (1–14 days) and *full-time use* of parental leave days (15 and more days).

Labor market attachment is measured by the main economic activity (wages and entrepreneurial activities) and the public transfers received in a certain year. This variable is categorized as 1) student or unemployed, 2) work with low income, 3) work with medium/high income or 4) inactive with no income from work or work-related benefits such as unemployment or student benefits. We also separately categorize those women who 5) have another child or 6) emigrate. We create the variable with the categories being mutually exclusive.

We focus on differences between year of immigration, women of different origins, age of the youngest child and number of children. We present the results for the first 10 groups in our

population (including Swedish-born) and aggregate all others in the category »other«. These countries are Swedish-born return migrants, women from Denmark, German-speaking countries, Poland, former Yugoslavia, Thailand, Syria, Iraq, Afghanistan and Somalia (with Djibouti). In our models, we also control for the woman's age and civil status.

In the first part of the analysis, we investigate the share of all women using parental leave during their first and second year in Sweden by means of logistic regression. We then estimate the average number of days used per month using OLS regressions. In the second part of the analysis, we estimate the association between parental leave use and various labor market activities the following years by means of multinomial regression.

## Results

### PARENTAL LEAVE USE

The share of all immigrant mothers using parental leave during their first and second year in Sweden increased in the early 2000s. This is the same period in which the basic level parental leave benefit is raised in steps from SEK 60/day to the current SEK 250/day. The share of users during the first year in Sweden increased over time, but the number of days was stable and only decreased somewhat. Over the studied period, the share of users during the second year in Sweden also increased somewhat, while the number of days declined more.

Over the period, the share of users is higher during the second year compared to the first year in Sweden, as about one-third of the mothers use parental leave during the first year and almost half during the second year.

Mothers from Syria constitute the group using parental leave the most frequently. About one-third of Syrian mothers use parental leave during the first year and two-thirds during the second year. Return migrants originally from Sweden and mothers from Iraq, Afghanistan and Somalia use parental leave about as frequently. Mothers from Denmark and German-speaking countries represent a lower share of users, probably as these women most frequently arrive as labor market migrants. Among Polish mothers, a fair share come for work and their use is relatively low, while women from former Yugoslavia and Thailand use parental leave somewhat more. These differences exist also when we take differences regarding other factors into account.

It is important to remember that immigrant women of different origins also differ in terms of their knowledge about Swedish parental leave, which means that they differ in their ability to make active and conscious choices on whether or not to use parental leave. It is definitely possible that differences in

use are related to the kind of information and encouragement that these women get from civil servants and representatives of the Swedish authorities when they arrive. The relatively high use among the Swedish return migrants is probably related to being well-informed about their rights to parental leave. In the second year in the country, Swedish return migrants use fewer days than the other immigrant groups.

We find that migrant women with young children and/or many children use somewhat more parental leave, but it is more remarkable that the differences in these respects are so small. The mothers with children under the age of 2 in the year of arrival use more parental leave than mothers with older children, but considerably less than mothers of newborn children in Sweden. It may actually be the case that these women are frequently encouraged to participate in activities leading to labor market integration and that it is encouraged that the children attend preschool.

#### ACTIVITY AFTER PARENTAL LEAVE

The results show that there is an association between parental leave use and which activity the women are engaged in during the following years. We find that women who have used a significant amount of parental leave, from 15 days and more per month, and women who have not used any leave are more frequently inactive during their second and third year in Sweden. Women who have used some leave, up to 14 days per month, are more frequently engaged in studies or have an income. This pattern remains also when considering other factors.

However, the differences based on parental leave use are relatively small. It seems as if the difference between women depending on how much leave they have used is minor, which is somewhat surprising as the use of parental leave increased at the beginning of the 2000s.

Instead, we find large differences in activity depending on the country of origin for the women, and such differences may obviously be related to a number of other factors not measured in this study, such as education, experience, language proficiency and social networks. Not surprisingly, the Swedish return migrants are the ones who most frequently have an income two and three years after arriving regardless of whether they use parental leave.

There are more women with an income during their third year in Sweden, but the pattern indicating an association with parental leave remains. Among the women who used part-time parental leave during the first year, about 10 percent have a low income and 20 percent have a middle to high income in the third year. Among women having used more but also no leave, the share of women with an income is a couple of percentage points lower.

## Conclusion

The first conclusion is that other factors, such as country of origin, are more important in explaining the activity during the coming year compared to parental leave use. To use parental leave is not consistently correlated with drastically reduced chances of labor market activity.

We interpret the results as suggesting that some parental leave use may indicate that the woman is active and has contacts that may eventually facilitate labor market integration, but that long leaves may increase the risk of not entering the labor market. The same risk exists for women not using any parental leave.

As the association between parental leave use and later labor market activity is so weak, we do not foresee that the recent change in the law to limit parental leave use for this group of parents will have any substantial effects on labor market activity. Probably the limits on parental leave use for children arriving in their preschool years will make the economic situation somewhat worse for this group, but the economic incentives are not likely to be sufficient to change their situation. It is likely that additional policies are needed to have a positive impact on women's chances to achieve labor market integration.

The unintended use of parental leave among newly arrived immigrant women points us to three major conflicting goals in the parental leave system. The first is between a parental leave insurance that implies an economic incentive to work before having children in order to get a good benefit while using this leave at the same time as securing basic economic conditions for all families with small children. When the basic level in the benefit is raised to be very close to the income-related benefit for those with a low income, this conflict becomes clear. The goals of economic incentives to work and securing economic conditions for families can only be combined if there is a gap between the basic level and the income-related benefit. When the levels are close to each other, it is likely that the goal of economic security will weaken the economic incentive to work. Our result that the women using a large amount of parental leave have the smallest chance of having an income in the following years is an indication of this. While the basic level may be crucial for the family economy, an increased income-related benefit would make the incentive to work in the labor market even stronger.

The income-related benefit is currently 77.6 percent of the previous income and can be increased to 90 or 100 percent. However, note that if the increase in the income-related benefit is to be efficient, it needs to be possible to act on such an economic incentive. If it is very difficult to find work and if the demand for labor from immigrant women with preschool children is weak, it is likely that such an incentive will only have a minor impact.

Another example of conflicting goals in the parental leave system is between an individualized insurance aiming for gender-equal use and parents' freedom to choose how to divide the care of children and use of parental leave. In the income-related benefit, there are three months reserved for each parent that cannot be used by the other parent, the so-called daddy and mummy months, but such reserved parts do not exist for the basic level benefit. As most immigrant mothers arriving with children use parental leave at the basic level, they can use the entire leave without sharing with the other parent. Such long use may not be advisable, especially not for individuals without a secure position in the labor market. Reserving parts also for parents using parental leave at the basic level would indicate that gender equality is relevant in all situations, and it might also be a step, albeit a small one, toward newly arrived immigrant women being integrated into the labor market.

A third conflicting goal in the parental leave system is the one between, on the one hand, aiming for a flexible system where parents can make choices regarding which form of care for their children is the best in the individual case and, on the other hand, non-intended consequences for the parents, such as increased difficulties in the labor market. For a newly arrived immigrant, parental leave may help if the parent or the child needs time before embarking on integration activities in Sweden. It could be that the family has to wait for a place in a desired preschool or that a parent only manages to participate part-time in language training. On the other hand, if the time off is long, this might also create long-term difficulties in terms of entering the labor market or getting integrated in other ways. Such a risk is now definitely smaller with the new restrictions in how much leave parents can use for children not born in Sweden. Nevertheless, from the child's perspective, it is reasonable to assume that some economic assistance is guaranteed during the first time in the new country. Whether this economic assistance is to be found in parental leave or elsewhere is open for debate.

A general conclusion from this report is that the family policy and labor market policies are closely related and should be considered together in studies. Ideally, reforms in the two areas should be related to each other. It is unfortunate if the family policy generates consequences that contradict the labor market goals of full employment for as many as possible, also among parents. If long parental leave leads to newly arrived parents staying at home for a long period of time without any activity aiming toward work in the labor market, this is a problem that needs to be addressed. On the other hand, we argue that some assistance should be guaranteed during the first years in a new country, and right now parental leave is providing this assistance. How to guarantee this economic

security without inhibiting work and integration is a balance to be addressed in the parental leave system and other policy areas.

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