

It is well known that unemployment rates are higher among immigrant groups than among “natives” in European countries. The unemployment rate is the highest among refugee immigrants, and family income is lower compared to other immigrant groups (Hansen, Lofstrom, 2009; Rosholm, Vejlin, 2010). Therefore, a family policy aiming at increasing access to child-care may increase labor market opportunities differently for different ethnic groups. The purpose of the paper is to compare the development of earnings and the differences in fertility behavior prior to and after the Swedish child-care reform for different ethnic groups. The study gives a better understanding of the strategies of first-generation immigrants, their choice between entry to labor market and household production (childbearing) as a reaction to Swedish family policy.

The child-care reform 2001/2002 as one of the recent contributions to Swedish family policy is studied in the paper. The main motivation for reform was to increase child-care participation. In particular, families in unemployment or parental insurance obtained the possibility of having their child in pre-school care for 15 hours per week. As a result of the reform, child-care participation, as well as the number of hours of care, became significantly more equally distributed (Wikström, 2007).

The response on family policy is expected to be different for women and men since woman has a period out of work giving birth. Later spouses can somehow reconcile duties concerning with nursing of a newborn child. At the same time, family policy contains some encouraging labor supply means. In particular, child allowance positively depends on wage. Also changes in male and female labor supply differ for ethnic groups due to traditional male and female role in family.

Another difference is related to status of unemployment. People having experience of getting unemployment insurance have lower average market productivity during a certain period (over a year). Thus, child allowance significantly shifts household productivity (childbearing) and expected labor supply of this group of people is even lower, than for the group, having earnings as the main source of incomes.

Study is based on Swedish Longitudinal Integration Database for the Health Insurance and Labour Market Studies (Longitudinell Integrationsdatabas för Sjukförsäkrings- och Arbetsmarknadsstudier, LISA) for the period 1995–2009. Large immigrant groups, among of them refugee groups as a primary targets in social and assimilation policy are considered. Groups of recent immigrants are constructed as follows. Iran and Iraq group with a big number of refugees counts 12096 obs. Immigrants from African countries with Somali refugees providing the biggest part count 2954 obs. Poland presents Eastern Europe or Post-Soviet countries (3565 obs.). Central and Northern European countries with high HDI, except Nordic countries having strong ties with Sweden in culture and economy is a group with 2996 obs. Immigrants from Turkey counts 1813 obs.

The data provide only annual individual earnings and total annual amounts of some transfer incomes, such as unemployment insurance, sickness insurance, child allowance. However, they do not provide any indicators of working hours. That is why Heckman approach (Heckman 1990) in estimation labor supply of family members is employed. Firstly, for people never having other incomes during a year, but earnings, Mincer wage equation (Mincer, 1974) is pre-estimated. The log earnings are to be a function of sex, age and age squared related to work experience, educational level of individual and the spouse with control for homogenous couples of immigrants and “native” couples. Heckman procedure,

when labor force participation is described as a function of presence of a newborn child, number of children in ages 1-3, 4-6, 7-10 yrs, is employed. This approach allows avoiding estimation bias of the level of wage related to household production. Secondly, we consider male and female labor supply (predicted log working hours) as a function of the proportion of child allowance in disposable family income by two-step OLS. Year 2002 is a dummy variable to control the new family policy conditions after 2002.

The results are the next. The proportion of a child allowance in family income positively relates to working hours for men never getting unemployment status during a year. This phenomenon can be also explained by increasing husband's labor supply when wife is involved in maternity and cannot have fulltime job. Labor supply among immigrants increases for fathers of a newborn child. "Native" fathers of a newborn child demonstrate reducing of labor supply. Presumably, this shows the modern family style of Swedish families when both partners split paternal leave. For other ethnic cultures, presented by immigrants, male role, as a breadwinner in family, can be more rigid. The groups of employed immigrants and "natives" have the opposite response on the reform of 2002. For employed immigrants it has negative effect or reducing labor supply, while employed "natives" increased their labor supply after the reform.

Immigrant and "native" men, having unemployment experience in the previous year, enlarge labor supply in the presence of a newborn child. Both groups have positive relation between working experience and labor supply, but the parameter is lower than for employed men. Obviously, the more the benefit from unemployment, the less the labor supply while this relates to a time when person does not work and gets substitutive payment (unemployment insurance). That is why we followed to unemployment personal history, which shows some

pattern of a long-term unemployment as a common life style among certain “natives”. There is a distinction between immigrant and “native” groups in response on partner’s unemployment status. It raises labor supply among immigrants and reduces among “natives”. The proportion of a child allowance negatively relates to working hours among “natives”, but insignificant for immigrants. The reform of 2002 has positive effect for labor supply for both immigrant and “native” groups.

For employed women the proportion of a child allowance negatively relates to working hours. This effect is stronger for “native” women. Perhaps, recent immigrants are not well informed with types of allowances and cases, when they can be received. The reasons are that this kind of knowledge needs certain educational level, knowledge of the language of the receiving country (Sweden). These reasons can explain insignificance of the proportion of the child allowance in family disposal income for unemployed immigrant women. The highest value of the parameter for “native” women can indirectly reflect some patterns of combining benefits from unemployment and childbearing among this group. Family disposable incomes ensure declining of female labor supply, but this dependence is greater valued for men. The reform of 2002 has positive effect on all groups of women and this effect is stronger for “native” women having recent experience of unemployment.

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