

**Abstract:**

European countries have increasingly adopted wage subsidies for the sector of domestic services to reduce low-skilled unemployment. Yet, empirical evidence on their effectiveness is scarce. In this paper, we use Belgian administrative data to estimate how participation in the subsidized domestic services sector impacts the labour market outcomes of program participants. Our identification strategy rests on a conditional difference-in-differences model. Our findings indicate that such subsidies can be effective in reducing unemployment and inactivity, but only by increasing employment within the subsidized domestic services sector. We also find that program participation deteriorates physical health, thus increasing the worker's probability of claiming disability insurance benefits.