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Start-up incentives for the unemployed Discussion

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Great Research

- Both presenters discussed start-up incentives for the unemployed
 - Interesting topic
 - Comprehensive data sources
 - Encouraging results
 - Published
- Outline of my comment
 - Summary
 - Common elements that merit discussion
 - Specific comments

Summary

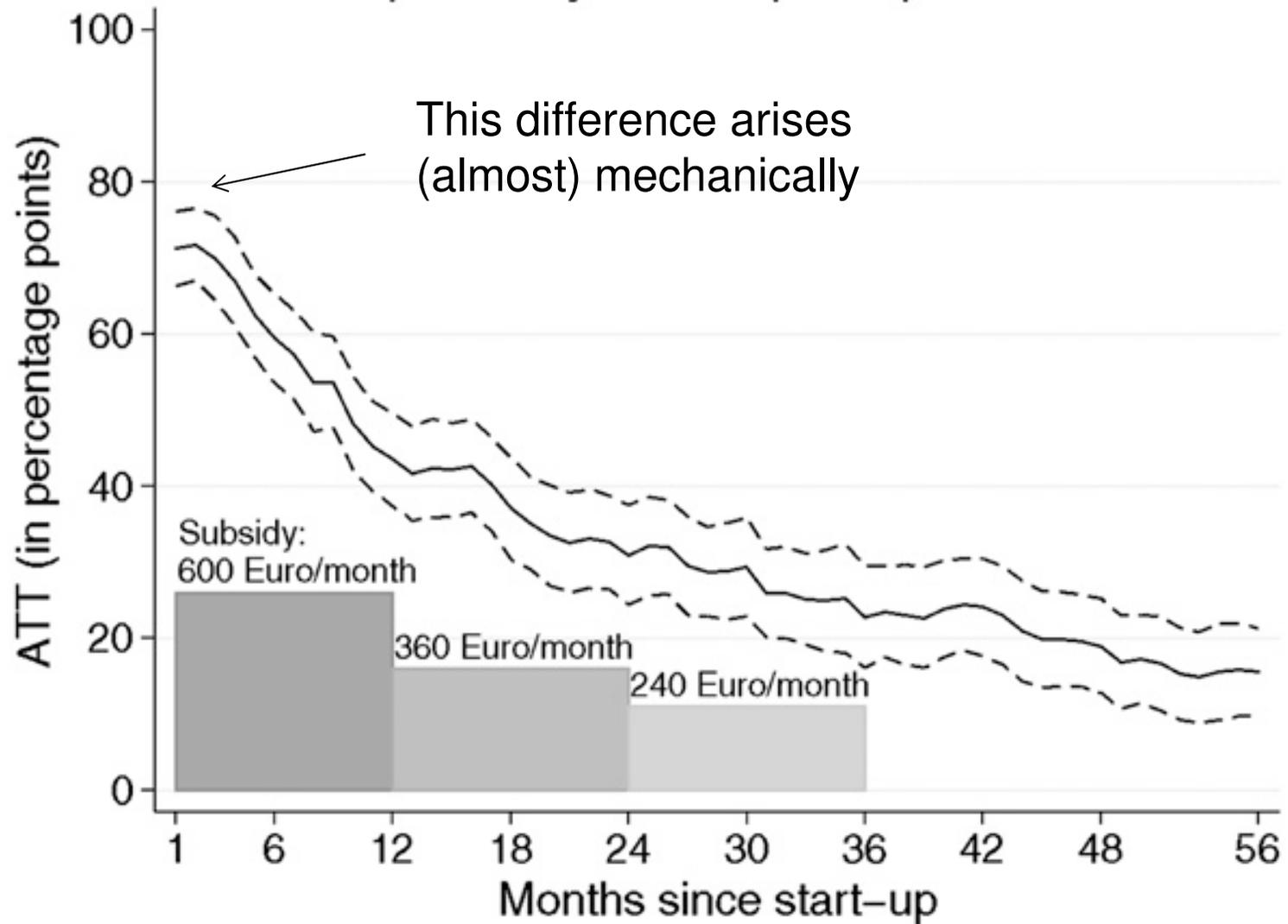
- Start-up programs help the unemployed
 - Particularly those who would do badly without the subsidy
 - Over a long horizon
 - Improve job prospects but also income
- Job search counseling can be better or worse than the start-up subsidy
 - Depending on skill level

Q1: Appropriate control group

- Central comparison
 - Funded job seekers compared to non-participants
 - Common approach
- Not straightforward for start-up subsidies
 - All treated job seekers in success state («employed» or self-employed)
 - None of control job seekers in success state

Illustration

Start-up subsidy vs. non-participation



What could be done?

- Key problems
 - All treated in success state whereas the none of the controls are
 - Not possible to randomly allocate subsidy (need business plan first)
- What can be done?
 - Long-term perspective helps
 - meaningful if employment rates have converged to steady state
 - Alternative comparison groups

Q2: Method

- Both studies apply propensity score matching
- Key issues
 - What generates residual variation in treatment status?
 - More details on attribution of subsidy
 - Why is residual variation random?
 - BA in Germany and SBA in Romania conditional on approval of business plan
 - Treated are those with successful business plans

Q3: Heterogeneous effects

- Effects tend to be stronger for low-performing sub-groups (individuals, regions)
- Driven by limited range for outcome?
 - Employment can not go beyond 1
 - If outcome without treatment is close to 1, effect necessarily small

Q4: Job creation

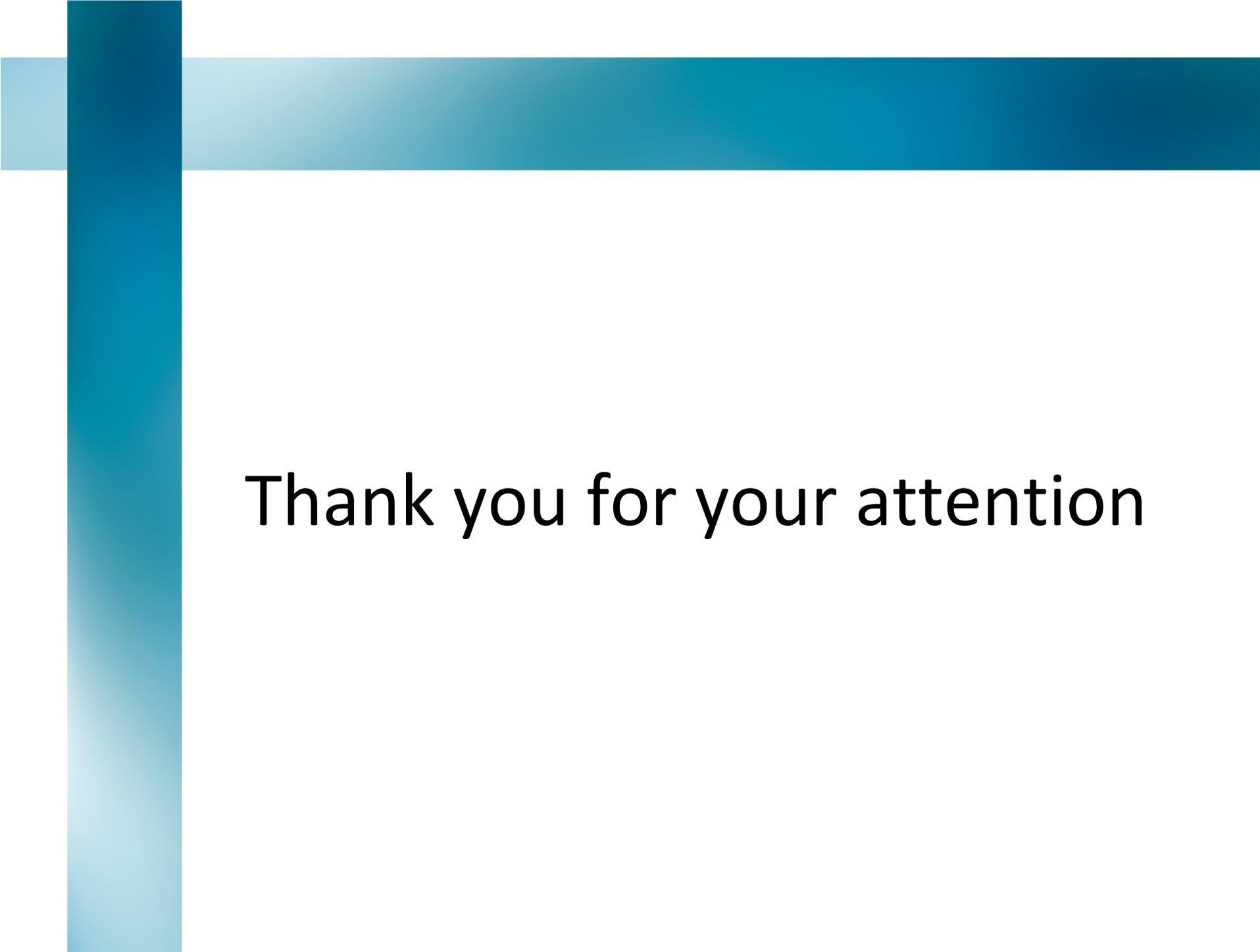
- What types of jobs are being created?
 - Sectors
 - Occupations
- Useful further information to understand
 - Where is supply of jobs limited
 - Which job seekers can be turned into entrepreneurs

Comments on German study

- Broad research program
 - Preferences, personality, gender, regions
 - Comprehensive study of German subsidies
- Additional jobs created
 - Almost one additional job per funded job
 - Not sure about «double» dividend
- New SUS
 - Promising set-up
 - Why not compare to dependent employed?

Comments on Romanian study

- Comparative approach useful
 - Relative effectiveness by skill level (SBA better for more educated workers, PES for less educated ones)
 - Cost-benefit / cost-effectiveness calculation would have been useful
- Interpretation of channels far fetched
 - Young vs old: informal network but also job search experience

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Thank you for your attention