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

This difference arises (almost) mechanically
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
Thank you for your attention