

Start-Up Subsidies for the Unemployed in Sweden: Long-Term Effects

An Evaluation using Matching Techniques as well as Qualitative Evidence

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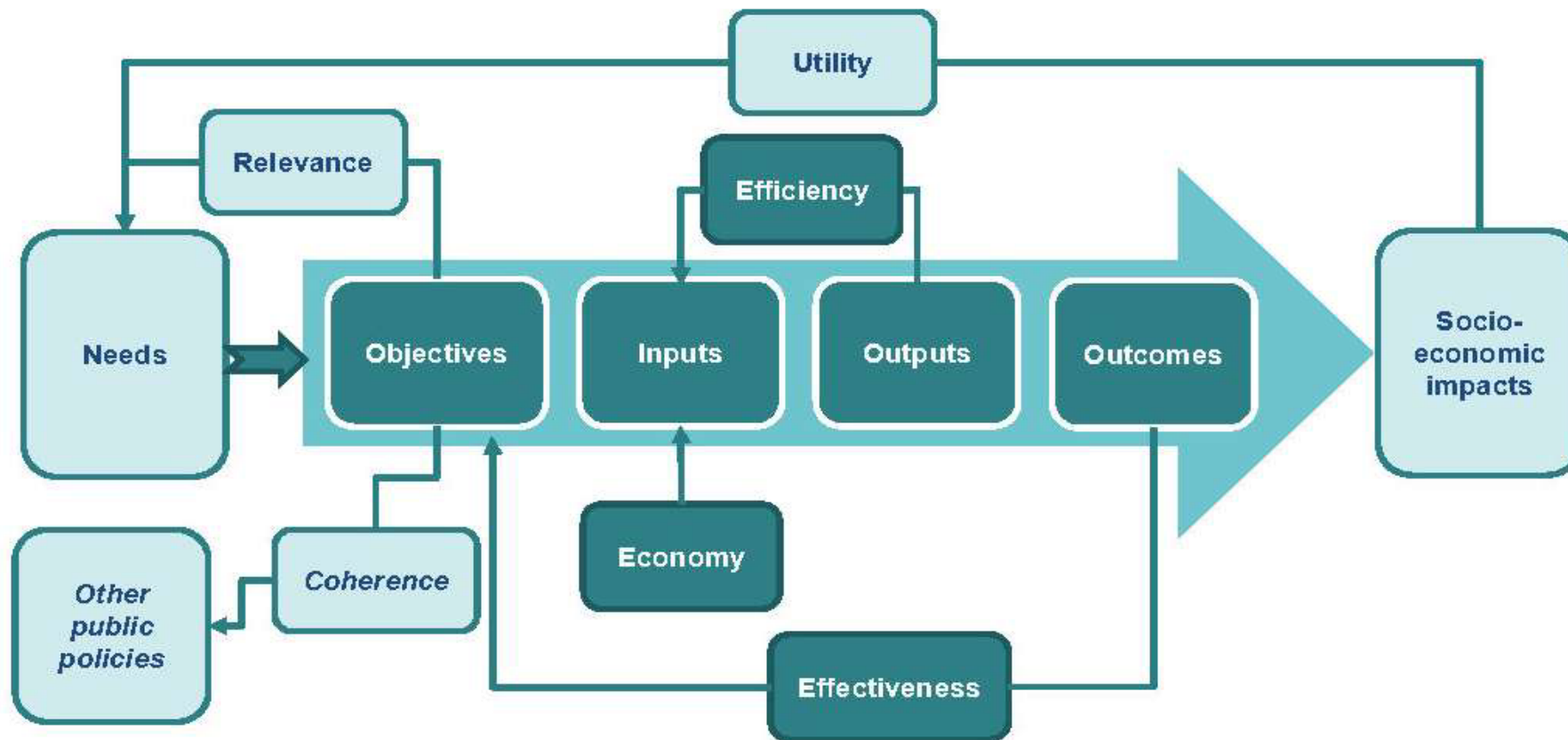
Background

- Sweden has a long tradition of active labour market policies (ALMP)
- Compared to other countries a big share of GDP is targeted to ALMP:s
- Different policies such as:
 - Labour market training
 - Work experience schemes
 - Recruitment subsidies
 - Employment subsidies
 - Start-up subsidies


Do your SAI:s audit them?



THE EVALUATION OF PUBLIC POLICIES

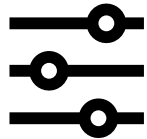


 Specific to evaluation of public policies

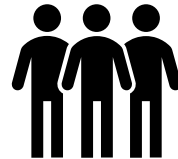
 Used in classic Performance audit as well as in **evaluation of public policies**

The Start-up subsidy programme in Sweden

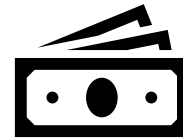
- A labour market policy programme to give people who are unemployed or at risk of becoming unemployed an opportunity to start their own business



The programme provides an income in the form of activity support for a maximum period of six months



Given to individuals who is deemed to be ***“well placed to run a business with satisfactory profitability and able to achieve sustainable employment through the business”***



Total cost of the programme in 2018 approximately 20 million Euros. Around 5,000 individuals get the grant per year and the cost per person and month is around 1,400 Euros.



According to the Swedish Public Employment Office **one of the most successful programmes in terms of employment effects!**

So why should we audit this programme?

Why did we start this audit?

- Indications that participants had low incomes from the businesses that they start
- Might be a risk for participants to end up in over-indebtedness
 - Has not been investigated before
- Previous evaluations only focused on short term effects, but we could study long term effects
- Better knowledge of the effects of the programme can give both potential participants and employment officers a more accurate picture of what to expect
- ...and the outcome and socio-economic impacts: a better operation of the programme and a more effective labour market!

Audit question

Is the Start-up subsidy an efficient labour market program compared to other active labour market programs or remaining in open unemployment?



Sub audit questions:

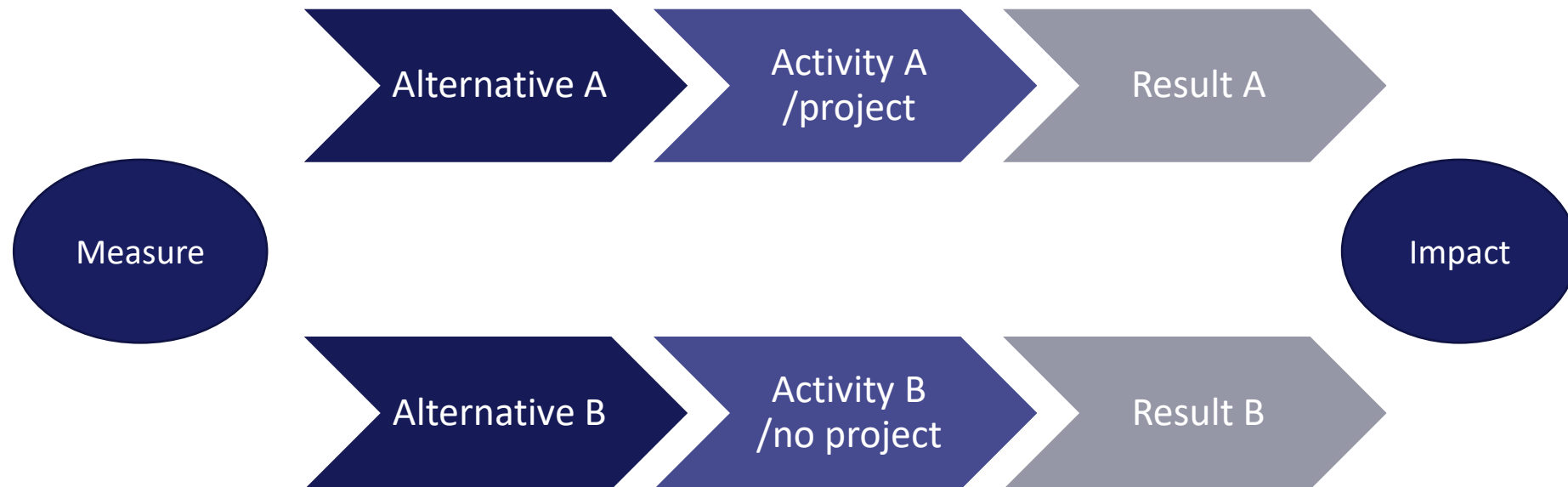
- Does the programme lead to:
 - Higher income?
 - Higher employment rate?
 - Higher risk of becoming over-indebtedness?
 - Different effects for different sub-groups?
 - A positive impact on public finances?
- Has the Swedish Public Employment Office done enough to secure that participants can receive a lasting livelihood for the business they start?

How did we audit?

- To estimate effects (***Quantitative part***)
 - Compare participants in the programme with other similar non-participants that instead continues to be unemployed or participate in another programme
 - Register data from the Swedish Public Employment Office, The Enforcement Authority and Statistics Sweden
 - Unemployed individuals that received the subsidy between 2003–2007
- How has the Swedish Public Employment office worked with the subsidy? (***Qualitative part***)
 - In total 13 interviews
 - Document reviews

Impact evaluation

- **Question:** Has the goals been achieved? Are they an effect of the project?





WHAT ELSE

CAN WE

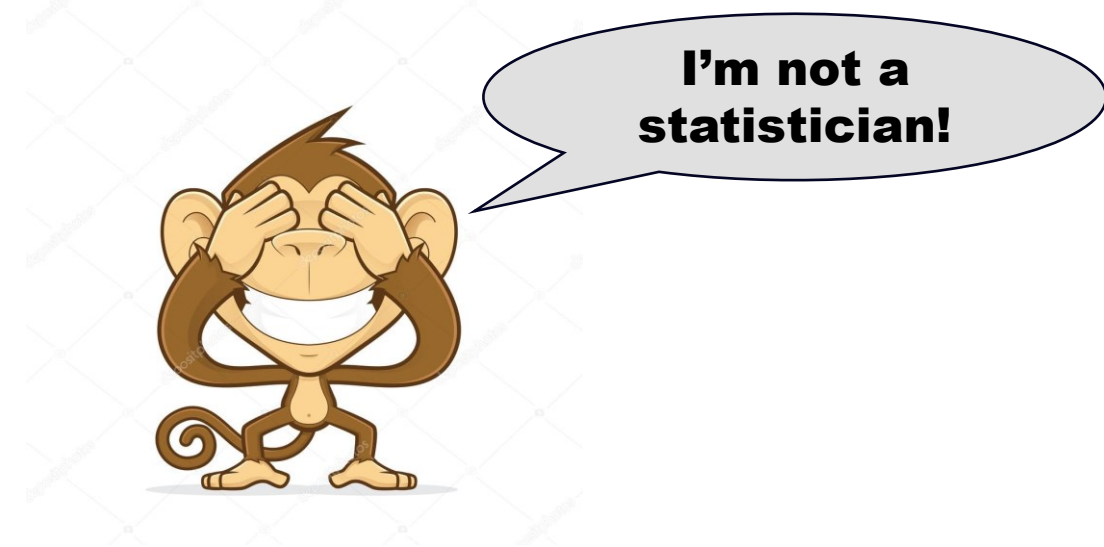
DO?

Estimating causal effects using matching

- How is an impact evaluation done?
 - We have two groups *treated vs. non-treated* during the same time
 - The outcome variable is measured before and after the program
 - The ideal situation is to find a casual impact
- How to find a “control” group?
 - The control group needs to be *relevant, i.e. there should be no other factors that can explain the difference in results between the groups*

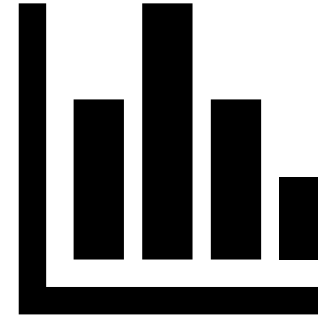
Matching model

- We use a version of the kernel matching algorithm:
 - The contra-factual outcome is a weighted average of the nearest neighbours within specific stratum. The weights are calculated using the propensity score from a logistic regression in the first step
 - Stata package `kmatch` by Jann (2017) used
 - Ridge-parameter 0,315 (Frölich 2004)
 - Kernel band width set using pair-matching (nn) (Huber et al., 2013, 2015)
- Regression adjustment before the Average Treatment Effect (ATT) is estimated (bias-correction, see Abadie and Imbens (2011))
- Models estimated separately for men and women



Data

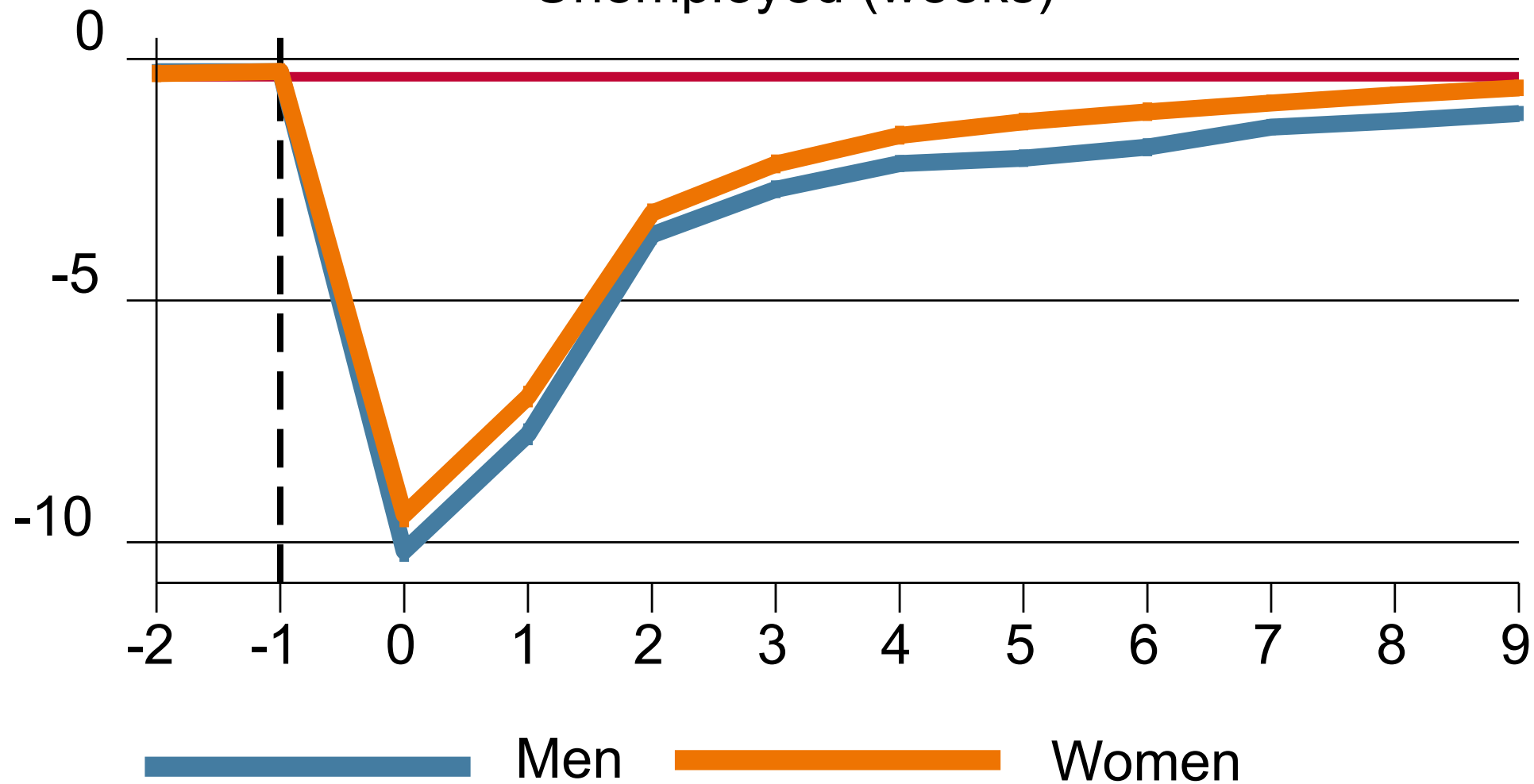
- We use high quality register data from the Swedish Public Employment Office, Statistics Sweden as well as data from The Enforcement Authority
- The population that we study is all individuals between 20 and 56 years old registered as unemployed at the Swedish Employment Office during the period 2003–2007
- We follow these individuals up to 9 years after participation in the programme
- Previous research typically used employment status or the unemployment rate as outcome measures, but we study a wider range of outcomes



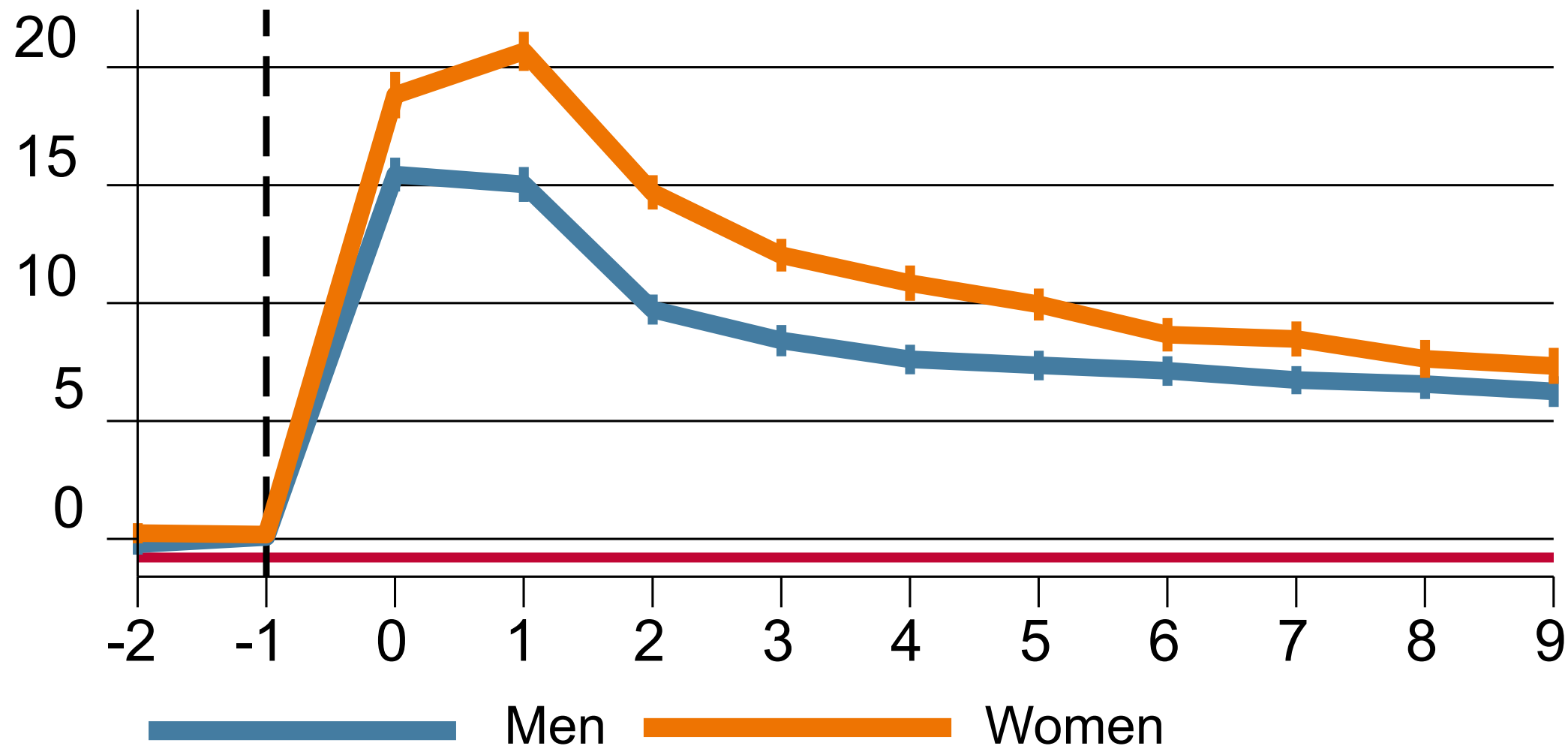
Variables in the matching model

- **Parental entrepreneurship** (t-1, t-11–t-2)
- **Health**
- **Individual characteristics** (age, gender, married, country of birth, educational level, children...)
- **Inflow to unemployment** (year, month)
- **Income history** (t-4–t-2)
- **Short term labour market history** (Employed, self-employed, unemployed, income benefits, unemployment spells, program spells, occupation etc...)
- **Region** (county)
- **Type of occupation unemployed individuals are looking for** (full time, part time, experience/ educated within that occupation)

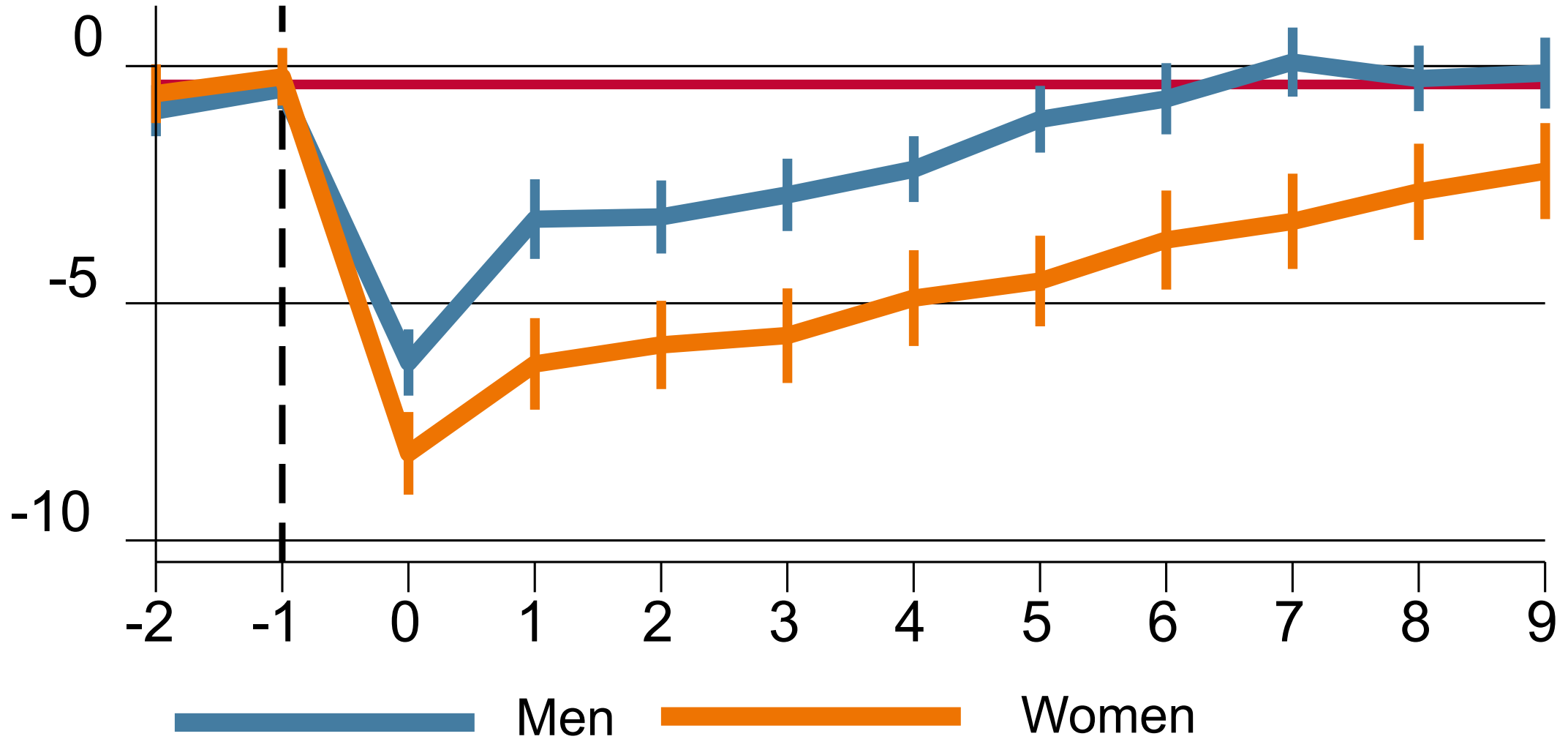
Unemployed (weeks)



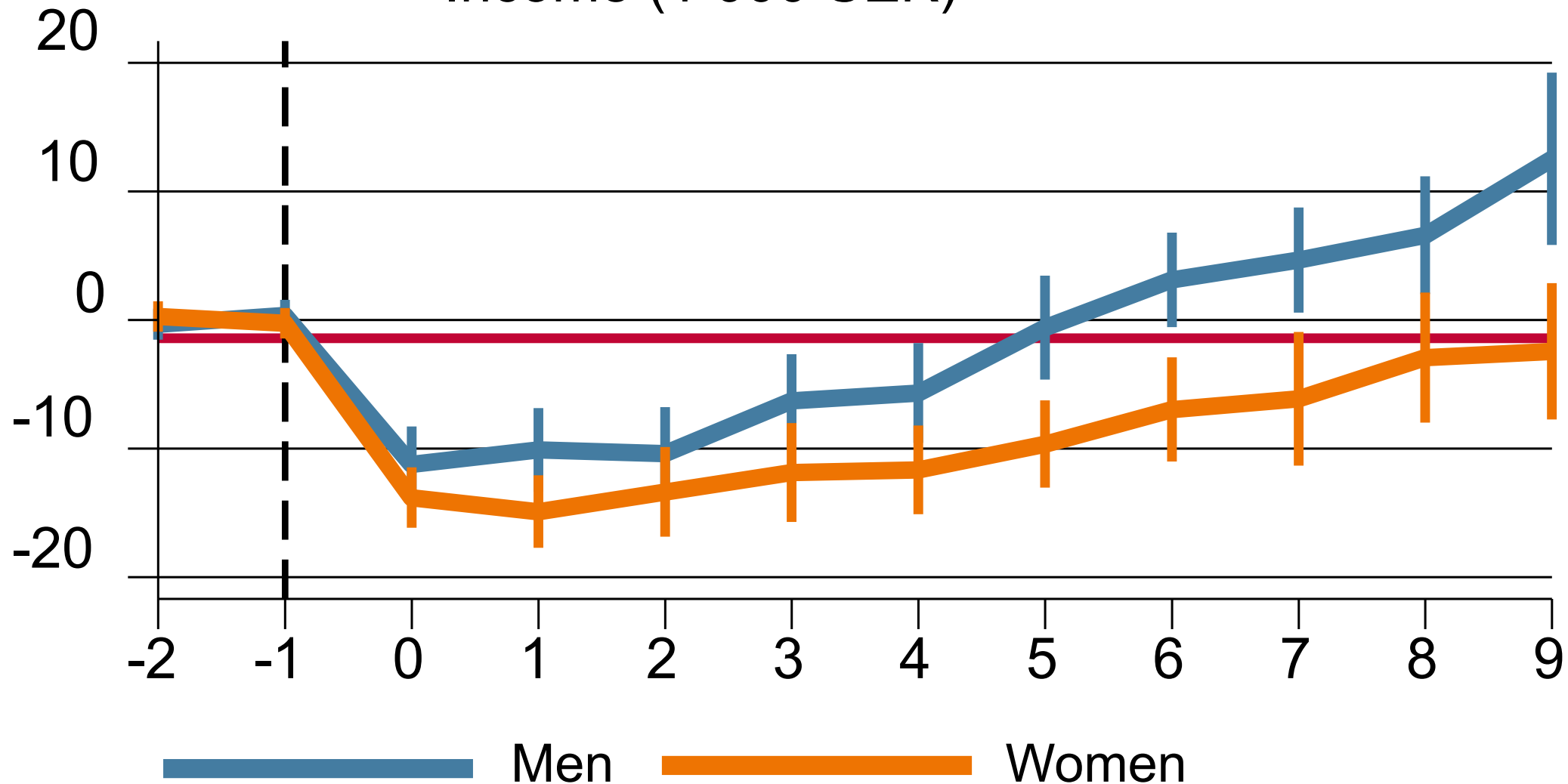
Employed (def. RAMS)



Employed (def. IFAU)



Income (1 000 SEK)



What did the audit show? – Effects

Overall, the Start-up subsidy programme works well. However, the audit show that the effectiveness could be improved

- Less days in unemployment and lower benefit payments
- No effect on income and ambiguous employment effect
- Increased risk of over-indebtedness
 - Approximately 60 per cent increased risk for over-indebtedness (12 years after) and even higher for men
- Worse effects for highly educated and foreign-born individuals
- Positive impact on public finances

What did the audit show? – Qualitative results

- Processing has improved, but significant local differences exist
- Preparatory training is an important complement for many, but many participants do not take part partly because the training is too long
- Risks of self-employment are underlined in varying degrees
- No systematic local follow-ups after programme completion
- More specialization facilitates progressive learning and knowledge dissemination
- Inget nätverk för kunskapsutbyte mellan lokalkontoren

What did the Swedish National Audit Office recommend?

- Provide clearer information to participants on the risks of self-employment.
- Examine whether preparatory training for the Start-up subsidy programme should also be offered in a more limited form
- Local follow-ups after programme completion should be more systematic
- The Public Employment Service's evaluation of the programme should have a longer follow-up horizon

Lessons learned from this audit

- How you define your outcomes can affect your results a lot
- Analysing a longer time-period can reveal interesting information
- Results from the quantitative part could be used (and verified) in the qualitative part
 - A mixed methods approach is often a good idea
- When using advanced statistics, important to present the results in a way that is easy to understand

