SELF-EMPLOYMENT TRAINING & COACHING. REGIONAL PATTERNS AND EFFECT HETEROGENEITY – EVIDENCE FOR GERMANY (SUMMARY)

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SUMMARY

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Principal Topic

Since the 90ties several countries have launched numerous schemes to promote entrepreneurship. Two of those are self-employment training and coaching schemes were established to foster self-employment activities. In Germany these schemes became part of the active labour market policy to enhance the individual capabilities. However, only little is known concerning the treatment assignment and the (causal) treatment effects. One major issue in the estimation of causal effects is the potential bias caused by selective treatment assignment. Two effects may cause this bias: First, individuals with fewer capabilities may value training and coaching schemes as a necessary option to reduce deficits. This may lead to a systematic self-selection bias. Second, the case-managers advice individuals to participate in certain programmes. If this advice correlates with knowledge and capabilities of the nascent entrepreneurs this may cause a screening effect.

Method

The method used here controls for both effects using a statistical matching framework. In order to model the self-selection, I estimate the treatment probability motivated due to a utility function. I assume that the utility-difference between participation and non-participation is caused by an observable set of individual characteristics, which are motivated by human capital aspects. Additionally, a model of the screening process is introduced in order to enhance the validity of the empirical model. This model highlights individual and regional characteristics as well as attributes that describe the strategy of the local labour office concerning self-employment promotion. The dataset is based on administrative data provided by the German Federal Employment Agency. The data covers participants and non-participants who set up a business promoted by a bridging allowance. The dataset includes 50,000 individuals selected in 2000 and 2001 and observed until 2004.

Results and Implications

The results show strong regional patterns in the treatment assignment. This implicates that a potential screening bias has to be taken into account for the evaluation strategy. The estimations show only weak and statistically not significant effects for both schemes while controlling (regional stratification) for the regional conditionality of the treatment assignment. Based on the pooled sample I observe a statistical significant positive effect for coaching concerning survival and a statistical weak negative effect for the training schemes.

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