

6-7-2014

HOW DOES WELFARE STATE GENEROSITY IMPACT ENTREPRENEURSHIP IN DISTINCTIVE UNEMPLOYMENT CONDITIONS? (SUMMARY)

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Recommended Citation

Nziali, Emeran and Fayolle, Alain (2014) "HOW DOES WELFARE STATE GENEROSITY IMPACT ENTREPRENEURSHIP IN DISTINCTIVE UNEMPLOYMENT CONDITIONS? (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 34 : Iss. 14 , Article 10.

Available at: <https://digitalknowledge.babson.edu/fer/vol34/iss14/10>

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≈ SUMMARY ≈

**HOW DOES WELFARE STATE GENEROSITY IMPACT ENTREPRENEURSHIP
IN DISTINCTIVE UNEMPLOYMENT CONDITIONS?**

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Principal Topic

Since progress in welfare states' construction comes with availability of optional income sources for people at risk such as unemployed, it may affect their choice to return or not into job market for economic reasons consequently, their decisions of involvement in entrepreneurship. In so far, the choices countries make to protect their citizens from socio-economic risks are susceptible to affect the aggregate entrepreneurial dynamism. Regarding this relation between the distribution of optional income and aggregate decisions to return into job market, the bulk of existing contributions have investigated wage employment occulting entrepreneurship. Unemployed people can make the choice for a status of employer or employee; it is therefore a loss to have dearth of knowledge on how, welfare state generosity (the benefit people received from the State when unemployed) affects their decisions to be involved as entrepreneur. This paper is interested, in the degree that unemployed people benefiting from welfare state packages are amenable to undertaking entrepreneurship, with emphasis on impact that this generosity has on types and rates of aggregate entrepreneurship.

Method

To investigate this question we have collected data from different datasets including Global entrepreneurship Monitor, various OECD and the World Bank databases. The series relates thirteen (France, Germany, Japan, Italy, Denmark, Norway, the Netherlands, Great-Britain, United-States, Finland, Ireland, Spain and Belgium) covering the period 2002 – 2013 with one and two-year lag between endogenous and exogenous variables. Models include a multiplicative variable with the intent to assess the impact of the interaction of generosity and unemployment on entrepreneurship, regressed with panel data techniques relating the structure of our dataset.

Results and Implications

We have regressed our models distinguishing between short-term and long-term unemployment. Our regressions come with significant interacting variables and models, confirming our strategy to investigate the intertwining of generosity and unemployment. For the short-term, results suggest that the interacting variables enter regressions with a negative coefficient when the endogenous is the global index of entrepreneurship, nascent and necessity nascent entrepreneurship. Basically this suggests that the existence of a benefit system for the short-term unemployment may have a negative impact on the choice for entrepreneurship. Nevertheless, in case of long-term unemployment these negative effects become positive.

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