

Contents

Part I: Facts, Institutional Arrangements and Evaluation Strategies	1
1 Overview and Introduction.....	3
2 Unemployment, Self-Employment and Bridging Allowance.....	9
2.1 Trends in Unemployment and Self-Employment in Germany	9
2.2 Causes of the Trends	12
2.2.1 Unemployment.....	12
2.2.2 Self-Employment	15
2.3 Bridging Allowance as an Active Labour Market Programme.....	18
2.3.1 Institutional Arrangements and Adjustments	18
2.3.2 Aim and Potential Impacts	21
3 Previous Empirical Findings on the Transition from Unemployment to Self-Employment	25
3.1 Analysis of Bridging Allowance	25
3.2 Further Empirical Findings.....	26
4 Evaluation Strategies.....	31
4.1 The Sample Selection Bias	31
4.2 Addressing the Sample Selection Bias	33
4.2.1 The Control Function Estimator.....	34
4.2.2 The Heckman Selection Model	35
4.3 Evaluation of Bridging Allowance at the Individual Level and at the Firm Level.....	37
Part II: From Unemployment to Self-Employment	39
5 Theoretical Framework – An Extended Search Model	41
6 Determinants and Success of Self-Employment	47
6.1 The Empirical Model.....	47
6.2 The Discrete Hazard Rate Model with Unobserved Heterogeneity ...	49
6.2.1 The Hazard Rate in Discrete Time	49
6.2.2 Specifying Unobserved Heterogeneity.....	52

6.2.3	Testing the Independence of Irrelevant Alternatives (IIA) Assumption	54
6.3	Measuring the Success of Self-Employment	56
6.3.1	The Stability of Self-Employment	56
6.3.2	Income Effects of Self-Employment.....	57
6.4	Data, Sample and Variables	59
6.4.1	The German Socio-Economic Panel	59
6.4.2	Samples of Analysis	60
6.4.3	Variables, Definitions and Descriptives.....	62
6.5	Econometric Results.....	75
6.5.1	Choice of the Number of Mass Points.....	75
6.5.2	Determinants of Self-Employment.....	76
6.5.3	Stability of Self-Employment and the Effects of Bridging Allowance	86
6.5.4	The Development and Distribution of Income	98
6.6	Summary and Conclusions	106
Part III: Firm Start-Ups by the Unemployed		109
7	Microeconomic Issues on Firm Start-Ups	111
8	Assessing the Impact of Bridging Allowance at the Firm Level	115
8.1	Econometric Modelling	115
8.1.1	Firm Start-Ups and Selectivity	115
8.1.2	Modelling Firm Survival.....	116
8.1.3	Modelling Employment Growth	118
8.2	Data, Variables and Descriptives.....	122
8.2.1	Data	122
8.2.2	Firm Heterogeneity and Subsidisation of the Unemployed..	124
8.2.3	Factors Influencing Company Success and Firm Selection .	128
8.2.4	Survival Probability and Employment Growth	136
8.3	Econometric Results	140
8.3.1	Start-Ups by the Unemployed	140
8.3.2	Firm Survival	144
8.3.3	Employment Growth	160
8.4	Summary and Conclusions	167
Part IV: Concluding Remarks		169
9	Political Options and Future Research	171
Appendix		175
A.1	Calculation of the IRR and SPIR	175
A.2	Tables of Chapter 6.....	190
A.3	Figures of Chapter 6	213
A.4	Tables of Chapter 8.....	216

List of Figures.....	229
List of Tables	231
Bibliography	235