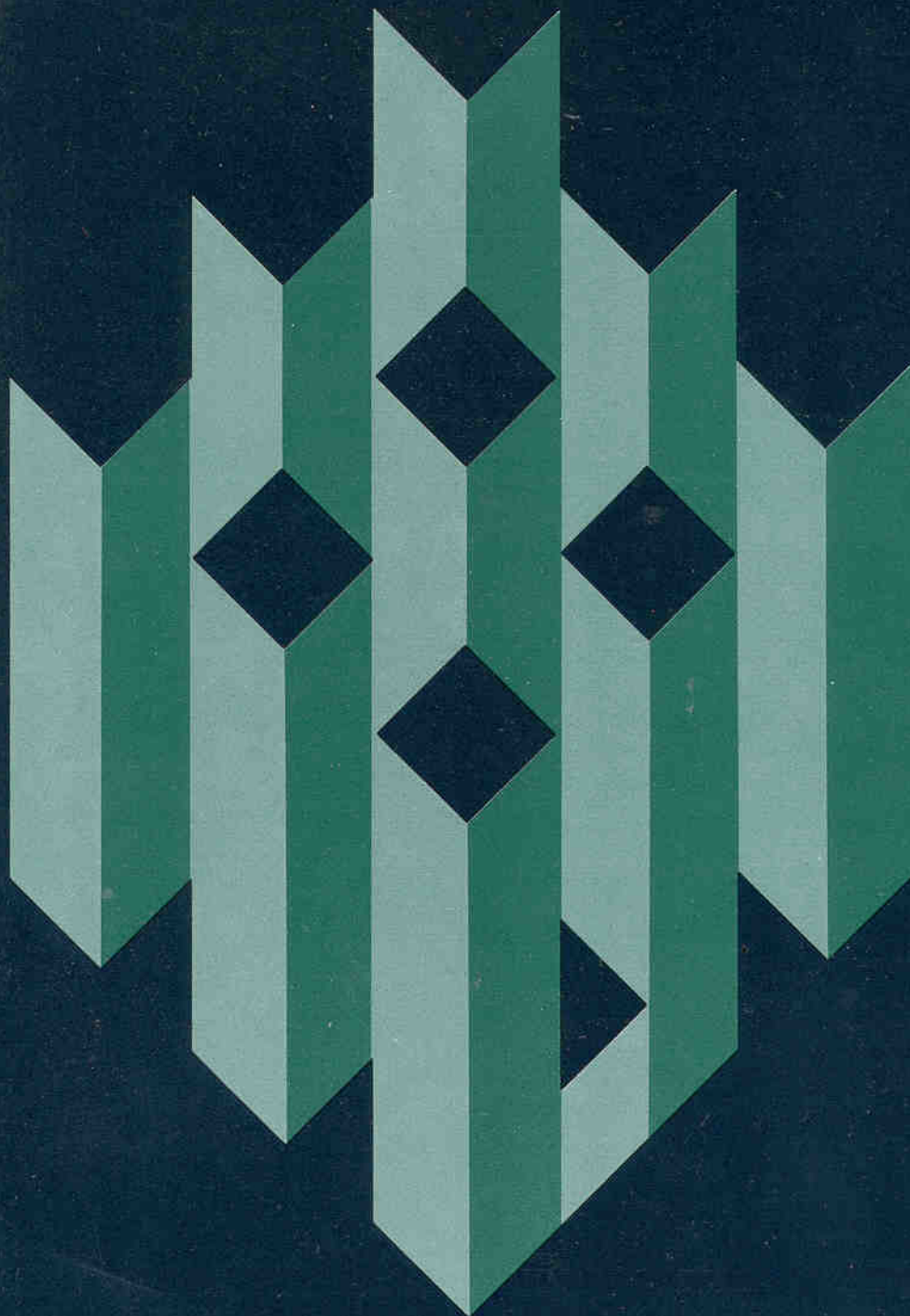


New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment; Experiences and Opportunities in Combatting Unemployment



U.S. Department of Labor
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New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment; Experiences and Opportunities in Combatting Unemployment



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U.S. Department of Labor
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Employment and Training Administration
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I. Introduction

At its 23rd meeting held in Vienna in September 1989, the General Assembly of the International Social Security Association (ISSA) decided to include a study on "New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment: Experiences and Opportunities in Combatting Unemployment" in the program of activities of the Permanent Committee on Unemployment Insurance and Employment Maintenance for the period 1990-1992.

The aim of the study is to examine the variety of provisions available in different countries to combat unemployment by encouraging the unemployed to take part in local initiatives designed to create employment on the basis of self-help and for individual unemployed people to create their own opportunities by becoming self-employed.

In order to obtain the information for the study about the relevant countries, guidelines for the preparation of national monographs were sent to the industrial countries having self-employment programs. This study focuses on the action that individuals can take themselves to escape from unemployment, including things they can do in collaboration with other unemployed individuals. It also examines the external support and assistance provided to the unemployed to help them become self-employed, to set up new enterprises or take over existing businesses.

This study analyzes the provisions of programs which encourage the unemployed to become self-employed, to set up new enterprises, or take over existing businesses. This study examines the variety of these approaches taken in the industrial countries which, in effect, shift the emphasis from the income maintenance feature of the unemployment insurance and assistance programs to the capitalization of the available resources for the encouragement of the development of self-employment and job creation.

Where information is available, this study covers the following areas: the background and origins of the self-employment schemes; their structure, including the target populations; eligibility provisions; access to capital and credit; training and counselling; monitoring and ongoing support; output measures for the schemes; as well as any available information on evaluations of schemes.

This report is based on information submitted by monographs by some of the countries and secondary source material from recently completed relevant studies. Countries covered include Australia, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Netherlands, Norway, Portugal, Spain, Sweden, and the United

States. The report is based on information submitted by nine countries in monographs and secondary source material and five based solely on secondary source material. If not referenced, the source of the information is the national monograph.

II. Summary of Findings

Background

Persistent unemployment beginning in the 1970s and continuing through the 1980s in the industrial nations--associated with economic problems (such as slow economic growth), structural changes (such as debt servicing burdens), trade imbalances, industry restructuring, and general uncertainty--has resulted in decreased employment opportunities. These problems have resulted in nations placing more emphasis on the encouragement of self employment and individual initiative.

The persistence of these problems and high unemployment in many countries over the last decade has placed considerable pressures on unemployment benefit systems. Whereas in the past, the main purpose of providing income support for the unemployed was to help tide them over during cyclical downturns until they found a new job, the new approach utilized these benefits to encourage the unemployed to become productive members of the market economy through self-employment or job creation.

As a result of these problems, there has been an introduction of job creation and training programs in almost all industrialized countries in the 1970s and 1980s. In the 1980s, a new emphasis was placed on "enterprise" programs which were intended to encourage the unemployed to establish their own businesses and to create their own jobs either through sole ventures, partnerships or co-operatives. These schemes were introduced in many European and other countries. They all have as their objective the establishing of businesses by the unemployed, and they operate via a mixture of loans, allowances, grants and capitalization of social welfare or unemployment compensation. Many of these programs also provide other entrepreneurial start-up assistance, including training, counseling and other business services.

The self-employment schemes were generally introduced for the unemployed eligible for, or entitled to, unemployment benefits, to create their own enterprises without losing the financial assistance that normally is associated with their entitlement to these benefits. Throughout most participating countries, income support is provided to the unemployed via a number of different mechanisms, which include:

- * eligibility for benefits under an unemployment insurance scheme;
- * entitlement to a means-tested benefit, under the framework of a specific assistance scheme for the unemployed;
- * and/or entitlement to a means-tested benefit in the

framework of general social welfare provisions.

The self-employment schemes for the unemployed represent a shift from the income maintenance objective of the unemployment insurance systems, but they still operate in the framework of the unemployment insurance system. The self-employment schemes thus developed a great diversity in their structure to reflect the great differences that existed in the unemployment schemes of the industrial countries. There are, however, certain similarities in the structure of the self-employment schemes. For example, all schemes specify target groups. Most schemes provide integrated packages of monetary and labor market assistance. Specific eligibility conditions are spelled out, in addition to the requirements that have to have been previously met under the unemployment insurance scheme. Lastly, many schemes specify monitoring, support, counseling and evaluation provisions.

Self-employment programs for the unemployed began in 1979 in France to allow workers who become unemployed to capitalize on their unemployment benefits to form start-up capital for new enterprise creation. France introduced its program on an experimental basis in 1979 and created a national scheme called Chomeurs Createurs ("Unemployed Entrepreneurs") in 1980. Great Britain was the second country to develop a self-employment program, the Enterprise Allowance Scheme (EAS). By the mid-1980s there were programs in 17 countries belonging to the organization for Economic Cooperation and Development (OECD). Programs exist in Australia, Belgium, Canada, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, and Sweden. The United States Department of Labor started testing self-employment as a reemployment option for unemployed workers in 1987. The United States is testing the French self-employment model in a demonstration project in Washington State, and the British model in a demonstration project in the State of Massachusetts.

Structure

1. Background

Two self-employment payment models emerged from the first two countries (Great Britain and France) to promote the development of self-employment skills among the unemployed. The "French Model" consists of lump-sum self-employment allowances which allow the unemployed to capitalize on unemployment benefits to help form start-up capital for the establishment of new small businesses. The "British Model" consists of periodic payments which are provided as a form of income support while unemployed workers develop and operate new small businesses. In France, to encourage workers of closed plants to start new firms, recipients may pool their lump-sum payments to start a business. While all schemes may

classified under one of these categories, this report concentrates on the description of the variation in the provisions for coverage, eligibility, financial and technical assistance, and monitoring and evaluation among the existing schemes. The following summaries of the provisions of selected countries are examples of the variation in self-employment schemes.

2. Target Population

In France, the self-employment scheme targets unemployment insurance claimants, exhaustees and individuals trying to enter the labor force while in Great Britain, the application must be in receipt of unemployment benefits or supplemental benefits. In Ireland the applicant must have been in receipt of unemployment insurance or unemployment benefits. In Germany, the applicant must also have been receiving an unemployment allowance or unemployment assistance. In Canada, the applicant must be entitled to unemployment insurance or social assistance. In Spain, preferential treatment is given to disabled unemployed workers, the long-term unemployed, workers aged over 45 and returned emigrants. Australia targets unemployed people who are in receipt of social security benefits. In Belgium, the applicant must be entitled to unemployment benefits and have cash equal to at least half the loan he/she is entitled to under the self-employment scheme. In Finland, all registered unemployed applicants for the start-up allowance are considered within the limits of the allocations available to each local district. Norway targets unemployed people and gives priority to those who are not in a position to move from their communities to find employment or will not readily fit into an ordinary employee situation, but have the resources and initiative to become self-employed.

The French administrator of the Chomeurs-Creature (CC) scheme introduced a set of pre-business plan requirements in 1987 which had the effect of reducing the number of participants on the scheme, mostly through self selection. The British, like their French counterparts, do not intend to include vetting procedures, but encourage participants to critically examine their proposals before embarking on self-employment. While in Britain, only new businesses are eligible for assistance, benefits in France may be used to establish a new business or to buy an existing one.

Other countries have wide variations in their self-employment schemes. In Spain self-employment funds are only available for new enterprises. The Norwegian program assists unemployed people who wish to go into self-employment with an emphasis on the creation of jobs in sectors of the economy where there is an unmet demand.

In Canada, the Self-Employment Incentive Option (SEIO) is part of the Canadian Jobs Strategy Community Futures Program which was introduced by the Employment and Immigration Canada. The SEIO is only available in areas selected for the Community Futures Program

and is administered by local Canadian Employment Centers with assistance from the business development centers.

In Germany, encouragement of self employment has been used as part of the general policy response to improve the economy. The policy rationale for self-employment allowance in Germany, however, is to ensure an individual a basic subsistence level during the self-employment start-up period. For this subsistence rationale, a self-employment payment is also paid to an unemployed person entering an existing company as a partner or fellow worker. The German self-employment benefits are discretionary, limited by the annual budget of the Federal Employment Institute.

In Israel, the self-employment scheme is targeted toward new immigrants. In Belgium, loans are made available for fully unemployed persons receiving unemployment benefits who wish to set up in self-employment or to establish a business.

The Australian New Enterprise Incentive Scheme (NEIS) aims to assist unemployed people who are in receipt of Social Security benefits to set up self-employment ventures. The benefits include the provision of a comprehensive package of assistance.

In the Netherlands, the self-employment provisions are aimed at assisting recipients of the "backstop" welfare provisions become self sufficient and eventually become independent of the social welfare benefit system. The system includes a guaranteed loan system to ensure participants better access to bank loans.

The two United States Self-Employment Demonstration projects are both designed to serve unemployed workers who are unemployment insurance recipients. However, the Washington Project targets a broad population of unemployment insurance recipients, excluding only those with immediate prospects for returning to work, while the Massachusetts project is targeted more narrowly at a subpopulation of unemployment insurance recipients who are determined to be likely to exhaust their unemployment insurance benefit entitlement.

3. Eligibility

In France the CC scheme was originally only open to persons covered by unemployment insurance and involuntarily laid off or under notice of layoff. During 1984, eligibility was extended to unemployed persons who have exhausted their unemployment benefits as well as those trying to enter the work force.

In Great Britain, to be accepted into the Enterprise Allowance (EAS) scheme, applicants have to: be between 18 years of age and retirement, been out of work for at least 8 weeks or under notice of redundancy; have 1,000 Pounds to invest in the enterprise; and have plans for a project suitable for public support. The British

program is open to persons receiving either Unemployment Benefits or Supplemental Benefits. They must be able to describe their proposed enterprise in the application, but detailed business plans are not required. Applicants are not screened for the viability of the business proposal.

In Germany, the self-employment scheme is not directed at any specific group but the claimant must have received the approval of his/her self-employment proposal by a competent authority (chamber of industry and trade, handicrafts chamber, trade association, credit institution, tax adviser, chartered accountant, industrial adviser, association of lawyers, doctors or architects). The claimant is free to choose the authority he/she wishes. The claimant is required to submit brief description of the proposed project; the estimated turnover and profitability; and a justification or an explanation on whether it can be expected that the self-employment will in fact provide an adequate subsistence income.

In Ireland, participants are required to have been unemployed for 13 weeks or more and in receipt of either unemployment insurance or unemployment benefits. In addition, people receiving disability benefits or the disabled persons rehabilitation allowance are eligible. For unemployed people, a period on a training course can count towards the total of 13 weeks unemployed.

In Spain, preferential treatment is given to the disabled, the long-term unemployed, workers over 45 years of age, and returned emigrants. In Belgium, where loans are made available, the unemployed person must show that he/she has at least half the amount of the loan applied for under the self-employment scheme.

In Australia, NEIS provides participants with a full and structured package of assistance with emphasis on business skills and business plan training and mentor support. SelfStart is an element of NEIS which provides fast-track access to self-employment assistance. It is a flexible arrangement which is targeted towards unemployed people who require less initial training, business advice and mentor support than is provided under the full NEIS package. SelfStart is directed to participants assessed as possessing the necessary business and technical skills to establish a business. Advice and mentor support arrangements will be determined on the basis of need, as assessed by managing agents or through other approved arrangements. Mentor support will generally be less intensive than for NEIS participants and primarily reactive. For both NEIS and SelfStart, approval is conditional upon a positive assessment of business viability.

In Norway, the program targets unemployed people, and priority is given to those who: are not in a position to move from their communities to find employment and will not readily fit into an ordinary employee situation, but have the resources and initiative

to become self-employed. Guidelines are used to determine eligibility and priority among applications, because demand for the subsidy currently exceeds supply. Encouragement is given to jobs creation that is: labor intensive, has a short development span, independent of other firms, has low technology requirements, and has a component of private financing.

In order to be eligible to participate in the United States Self-Employment Demonstration Project in Washington State, an individual had to be an unemployed worker eligible to receive UI benefits in the State; be filing a new unemployment insurance claim; have no immediate prospects for wage and salary employment; and be 18 years old or older. To be eligible to participate in the United States Self-Employment Demonstration Project in the State of Massachusetts, an individual had to be an unemployed worker eligible to receive unemployment insurance benefits in the State; be filing a new unemployment insurance claim; be permanently separated from their previous employer; be 18 years of age; and be determined to be likely to exhaust their entitlement for UI benefits.

4. Access to Capital and Credit

In France, a lump-sum payment is received two months after application to the CC Program. The payment varies by the length of time unemployed until the applicant starts his/her business. The sooner after losing a job that the worker starts his/her business, the larger the benefit. In addition to the lump-sum payment, participants in the CC program receive social security coverage (including health, maternity, disability, and old age insurance, but not unemployment insurance) without payment of social insurance taxes during the first six months of business operations. An additional incentive payment is given for each job created by the business in addition to that occupied by the CC recipient.

In Britain, the EAS provides participants with periodic payments of a weekly self-employment allowance (originally 40 pounds, or approximately US\$ 76). This weekly payment continues for a year while participants are developing their businesses.

In Belgium, loans are made available by the Participation Fund established within the National Occupational Credit Bank.

In Germany, the transitional allowance is intended to cover the subsistence requirements of a person, who was previously unemployed and receiving unemployment allowance or assistance, together with his/her family dependents, during the initial setting-up period of the self-employed activity. The self-employment allowance is not treated as a subsidy, but as a subsistence allowance. As a result, the Germans do not consider it as start-up capital in the conventional sense. The claimants must make their own arrangements to acquire start-up capital.

One of the central goals of the Canadian Labor Force Development Strategy is to move away from passive income maintenance toward active employment measures. Employment and Immigration Canada felt that the Canadian experience and that of other countries demonstrated that active program measures encouraged self-sufficiency. Canada provides a taxable allowance of C\$ 180 for up to 52 weeks to unemployed people who wish to start their own business. The applicant must have at least C\$ 340 to invest in the business over the 52 weeks.

In Israel, activity is primarily concentrated in the establishment of funds for providing loans to finance mainly the setting up of small businesses.

Persons in Spain who wish to start-up in self-employment are provided a subsistence allowance which is a non-refundable payment intended to provide a minimum income during the start-up period. There is a financial subsidy of up to six percent for the interest charged by credit institutions providing a loan, in order to make it easier to obtain the funds needed to cover the investments required for setting-up as self-employed. Under certain conditions the unemployment benefits may be capitalized such that the claimant may receive a lump-sum payment.

The Australia provides income support for the first 52 weeks of business operation. The participant has the option to capitalize part or all of their income support entitlement, if they can demonstrate clearly through their business plan that the business will provide a net return to replace income support. The funds may only be used to purchase assets such as plant, equipment and stock, which may be used as security against the advance.

The United States Self-Employment Demonstration Projects are providing interested claimants with self-employment assistance, including both financial assistance of lump-sum payments or biweekly payments. They also business development services, such as entrepreneurial training, business counseling, and technical assistance.

5. Agency Self-employment Training and Counseling

Although no formal business advice is offered as part of the French scheme, there are a number of publicly funded business advice and training support programs in France. The French self-employment program provides participants with some additional supportive services, although such assistance is fairly limited. The French CC program has relied almost exclusively on existing service providers such as "management shops" to provide business counseling and entrepreneurial training to program participants. This reliance on existing services means that there tends to be wide variation in the type and quality of services available to participants depending on the particular locality in France. To

address this situation the French program introduced a management advice voucher, which can be used both in public "management shops" or with private advisors to obtain business counseling, accounting, and other professional services at substantially reduced rates.

The British self-employment program provide participants with some additional supportive services, although such assistance is limited. The British EAS has also relied primarily on existing service providers, and the types and quality of available services also tend to vary by locality. One service available to all program participants was free business counseling (up to three individual sessions), which was originally provided by a national agency, the Small Firms Service. The British program also includes a one day "awareness day" session that provides participants with basic information about the steps involved in starting a business. However, since the Small Firms Service has actually provided very little counseling to participants, the overall level of business assistance has been limited. The British program has also funded the creation of local enterprise agencies which provide training, counseling and technical assistance.

In Israel, funds for loans are granted for vocational training for entrepreneurs, the development of a network of information for entrepreneurs, advisory services, and mentoring.

Australia pays a training allowance to participants in approved training prior to business commencement, as well as travel and living away from home allowances, and the costs of books and equipment required for approved training courses. It pays approved Managing Agents for additional administration and promotion costs incurred in delivering placement under the program.

6. Financing Methods

In France, the CC scheme was financed by the unemployment trust fund prior to April 1984, and has been financed by general government revenues since then. In Germany, the benefits are financed by equal contributions from employees and employers.

Under the Australian agreed arrangements for the self-employment program, it is a State/Territory Government's, or Managing Agent's responsibility to provide participants with access to start-up capital for businesses approved for assistance under the program. Various arrangements apply in the different States, including interest-free loans in Queensland and the Northern Territory, a combination of grants and interest-free loans in south Australia, commercial rate loans in Western Australia and grants in the Australian Capital Territory. Under the Youth Business Initiative, a managing Agent provides approved younger participants with small grants to assist with start-up costs. Otherwise, commercial rate loans are provided through traditional lenders such as banks.

Spain's self-employment program is funded entirely by the central government and limited by the amount provided is laid down annually in national budget legislation.

7. Monitoring and Ongoing Support

In France beginning in 1984, business proposals were more closely reviewed and the program more carefully monitored. While the French have made changes to insure that some financial planning and business statement preparation is completed before eligibility is established, they do not intend their program to include vetting procedures, but rather encourage participants to critically self-examine their proposal before embarking on self-employment. No formal business assistance is offered as part of the program, but participants can tap the many existing entrepreneurial outreach, training and support programs that exists all over France.

It is a requirement of the British scheme that all prospective EAS applicants attend a one day awareness session. (In addition EAS participants are entitled to three free sessions with the Small Firms Service.)

In Spain, the monitoring process begin with an assessment prior to the business start-up and continues until six months beyond the start-up date.

Australian State and Territory governments are responsible for the provision of business advice, mentor support and access to start-up capital for participants. They are also required to assess business viability and monitor the progress of approved businesses during the first year of operation.

Outcomes

The French program has enrolled large numbers of participants and assisted them in becoming and remaining self-employed. CC enrolled 72,000 participants in 1986, a peak enrollment year. However, this is less than a twentieth of the total number of unemployed. Most CC participants made a personal financial contribution to their enterprise in addition to the capitalization assistance. Less than one-third received a bank loan. Participants were drawn virtually from every segment of the unemployed with a disproportionate representation of managerial, professional and skilled workers.

The British program has enrolled a large number of participants (although enrollment declined somewhat in recent years). The EAS exceeded over 100,000 participants in 1987 and 1988. Participants amount to less than 5 percent of the unemployed in Great Britain.

In Australia, funding for up to 2,500 placements was available in 1991-92 at a level of \$25.8 million. The number of participants have been: roughly over 300 in fiscal year 1986-87, over 400 in

1989-90 and over 1,100 in 1990-91. The expenditures rose from \$2.7 million in 1986-87 to \$12.1 million in 1990-91.

In Spain, the number on new participants in the program rose from 2,375 in 1987 to 10,693 in 1991.

In Belgium, participants dropped from 1,713 in 1988 to 429 in 1991, due to the strictness of the conditions required for selection and a reported lower quality of projects being presented.

Evaluation

Both the British and French self-employment schemes appears to have had a substantial impact on economic activities in the respective country. As of 1988, the French program accounted for about one-fifth of all new businesses started in France. The program also appeared to have generated a substantial number of new jobs, primarily in the form of self-employment.

Evaluations of effectiveness of the Australian New Enterprise Incentive Scheme were conducted in 1988 and 1990. The 1990 evaluation indicated a business survival rate of at least 43 percent 12 months after program assistance and 29 percent four months after program assistance. Overall, 85 percent of respondents were employed or self-employed 24 months after participation in the program. In addition, for every respondent still in business after twelve months, a further 0.2 full time and 0.5 part-time jobs were created.

On the basis of a national survey in 1989 in Spain, 84 percent of the workers who began a self-employment activity during the immediately preceding 12 months were still engaged in that activity.

In Belgium, 12,875 unemployed set up in business after having received loans between 1984 and 1988. By December 31, 1988, a total of 2,546 of them, or 19.8, percent had ceased their activity. On the average, 3.6 percent of recipients had ceased activity within 12 months, 10.5 during the second year, 12 percent during the third year, and 8.8 percent during the fourth year.

The Swedish National Labor Board reported "that with 81 percent of the entrepreneurs still active, the businesses can be said to have a very good survival rate."

In Ireland, a survey found 60 percent of the businesses still operating two years after entering the program. The Economic and Social Research Institute concluded in its 1988 paper "Self-employment and the Unemployed" that the program makes only a modest contribution in job creation and unemployment reduction, partially due to estimated displacement effects and the nature of the firms. The study did not see these types of schemes as becoming "major

programs" but considered that they do have a minor role to play. The study envisions a program concentrating on a small number of carefully selected participants, particularly to minimize the displacement effect.

Early results in the United States self-employment demonstration projects, like the results in other industrial nations, indicate that self-employment programs as a reemployment option will be suited for a small proportion of unemployment insurance recipients--under five percent of the UI claimant population. Recipients tend to: be better educated; have relatively high pre-unemployment incomes; be concentrated in professional, managerial and clerical professions; and establish businesses in the service sector. Final evaluations of the projects will include process and impact analyses, as well as a benefit-cost analysis. Being run as small classical experiments, they will be able to measure deadweight, but not displacement effects. The studies will be published in 1994.

Local Employment Initiatives at the Local Level

There has been a wide range of economic activities in many industrial countries to stimulate the development and nurturing of employment at both the private and public levels, as well as the regional and national level. For example, in Great Britain, the following services are available:

- 1) Development of business complexes where spaces may be rented that include common business services such as telephone switchboards, restrooms, meeting rooms, etc.;
- 2) Development of entrepreneurial training programs through Local Enterprise Agencies;
- 3) Development of non-traditional high tech schools for disaffected, unskilled, nonacademically inclined youngsters;
- 4) Development of financing schemes for business start-ups and expansions by Local Enterprise Trusts;
- 5) Greater utilization of redundant resources such as closed plants and facilities to start new businesses;
- 6) Providing grants and seed capital to cooperatives by local government agencies; and
- 7) Providing extensive listings of the availability of traditional courses by manpower agencies.

III. New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment: Experiences and Opportunities in Combating Unemployment

A. FRANCE

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

Self-employment programs for the unemployed began in 1979 in France to allow workers who become unemployed to capitalize their unemployment benefits to form start-up capital for new enterprise creation. France introduced its program on an experimental basis in 1979 and made it national policy one year later. After the experimental phase, a national scheme called Chomeurs Createurs ("Unemployed Entrepreneurs") was established in 1980. (The program was begun experimentally under law 79-10 of January 3, 1979 and made permanent under law 80-1035 of December 22, 1980.) The program was revised substantially, retroactively to April 1984, under ordinance 84-198 of March 21, 1984, decree 84-525 of June 29, 1984, and decree 84-34 of August 9, 1984.^{1/}

b. Structure

b.1. Eligibility.

The Chomeurs Createurs (CC) program was originally open only to persons covered by unemployment insurance and involuntarily laid off or under notice of layoff. During 1984, eligibility was extended to unemployed persons who have exhausted their unemployment benefits and those trying to enter the work force. As in Great Britain's Enterprise Allowance Scheme (EAS), evaluation of the soundness of the proposed business is not part of the eligibility process; all that is required is that a certificate be presented documenting the registration of the business. While in Britain only new businesses are eligible for assistance, benefits in France may be used either to establish a new business or to buy an existing one. Participation in the French program is voluntary.

The program is designed to give maximum assistance to people threatened with unemployment who quickly arrive at the decision to create their own enterprise. Relatively lower levels of assistance are provided to people in more chronic unemployment situations. The subsidy is now based on previous work experience and duration of unemployment, favoring those having start businesses earlier during their period of unemployment. An important feature of CC is that it allows participants to buy existing businesses, provided they have the controlling voice in them. The introduction of a requirement to complete forms showing the administrative and

financial basis of their proposals as a means of improving individual performance caused a fall in the number of participants in 1988.^{2/}

In addition to the grant, program participants are exempt from sickness insurance, pension contribution, family allowances contributions and industrial accident insurance--which are obligatory for other businesses. They are not exempt from unemployment insurance contributions. However, most of those setting up enterprises do not pay unemployment insurance contributions anyway because they are not employers. Workers wishing to take over a business facing enforced closure or an existing business are also eligible for assistance.

b.2. Access to Capital and Credit.

The main financial benefit in the Chomeurs Createurs program is a lump-sum payment received about two months after application to the program. Prior to April 1984, the amount of this payment was determined by the worker's previous unemployment insurance contributions, capped at six months of unemployment insurance benefits. Unemployed persons with high previous earnings (for example, former managers or skilled workers) could receive as much as US\$ 11,700 (90,000 FF), while workers with lower prior salaries might be entitled to as little as US\$650 (5,000 FF). Since April 1984, the range of payment has been narrowed from US\$ 1,398 to US\$ 5,590 (10,750 FF to 43,000 FF) and is no longer related to prior salary levels. Now it varies only by the length of time unemployed (the sooner after losing a job the worker starts his business, the larger the benefit) and the type of benefit the recipient was previously receiving.

In addition to the lump-sum payment, participants in the CC program receive social security coverage (including health, maternity, disability, and old age insurance, but not unemployment insurance) without payment of social insurance taxes during the first six months of business operations. In 1979, the average value of this benefit was estimated at US\$ 2,400 (10,000 FF). An additional incentive payment is given for each job created by the business in addition to that occupied by the CC recipient. In France, the scheme prior to April 1984 was financed by the unemployment insurance trust fund and since then by general government revenues.

Recipients may pool their lump-sum payments to encourage units in closed plants to start new firms. In the event of enterprise failure within 341 days, scheme participants can be required to repay the loans, although this is not the general practice.

Workers wishing to take over a business facing enforced closure or an existing business are also eligible for assistance. In the case of a takeover, more than half the business capital must be held either individually or collectively; or at least one-third of the

total capital must be held and managerial functions exercised in the enterprise.

b.3. Method of Financing.

Until 1984 the necessary financial resources were appropriated from the UNEDIC (the national organization responsible for managing the unemployment insurance system) unemployment compensation fund. Since 1 April 1984, the budget for the program has been provided by the government general revenues. Changes made to the funding arrangements of the Chomeurs Createurs scheme in France are said to have helped overcome many of the difficulties experienced by the unemployment insurance fund from diverting funds to enterprise creation.^{3/}

b.4. Agency Self-Employment Training.

Although no formal business advice is offered as part of the scheme, there are a number of publicly funded business advice and training support programs in France. The program provide participants with some additional supportive services, although such assistance is fairly limited. The CC program has relied almost exclusively on existing service providers, such as local Boutiques de Gestion ("management shops"), to provide business counseling and entrepreneurial training to program participants. This reliance on existing services means that there tends to be wide variations in the type and quality of services available to participants, depending on the particular locality. To address this situation, the French program introduced a management advice voucher, which can be used both in the public management shops or private advisors to obtain business counseling, accounting, and other professional services at substantially reduces rates.

Government officials in both the United Kingdom and France are reluctant to adopt a policy of extensive screening. One reason is the cost and administrative complexities involve, turning what are essentially simple programs into complex ones. Additionally, if screening is conducted in a directive manner, the judgement of the agency is being substituted not only for the judgement of the entrepreneurs themselves but also for that of the market; since studies have shown that prediction of success with a high degree of accuracy is not possible, such directness has not been considered justified. French public agencies administering transfer payment programs are typically staffed by civil servants without business training or experience who are not equipped to provide the business analysis required. This consideration has suggested that it might be necessary to involve an additional organization--either governmental or private-- to provide business screening and other services. One French survey identified priority needs to include: financial counseling and assistance in dealing with banks;

marketing analysis; consulting on production techniques, management techniques, and staff training; information on the economic, legal, and tax environment; and a location in which entrepreneurs could share experiences.

France also offers a variety of public and private institutions which provide training and technical assistance to certain would-be entrepreneurs, including CC participants. A 35-hour course is required for all craft workers enrolling in the CC program. The Agency Nationale pour l'Emploi (ANPE) offers additional courses ranging in length from two days to ten weeks. However, it is estimated that less than ten percent of CC participants receive such specialized training. Training and counseling are also provided by non-governmental organizations including a network of agencies called Boutiques de Gestion (management shops).

The provision of support services is generally associated with higher rates of business survival. For example, in France it has been estimated that business failures rates are 50 percent lower for entrepreneurs taking specialized management training than for the general population of entrepreneurs (ENA 1986). However, it is not known how much of this reduction is due to a screening effect rather than to the skills and information provided. Training or counseling in which potential entrepreneurs confront in detail what is involved in self employment often convinces many not to pursue the idea. For example, one 50-hour course on starting a new enterprise hours is offered by the ANPE in France, and presumably everyone enrolling in the course has some interest in starting a business; yet only about one-third of those finishing this training actually proceed to do so. If those who are dissuaded are disproportionately those who would face the greatest difficulties or bring the fewest resources to bear, then this self-screening would enhance the observed survival rate among those actually starting businesses, even if the training itself had no effect on this latter group.

b.5. Monitoring and Ongoing Support.

During the early eighties, there were also complaints that the system was not being monitored properly and some recipients were filing fraudulent claims without really intending to start a new enterprise. As of 1984, business proposals were more closely reviewed and the program more carefully supervised. Managing and monitoring of the scheme is the responsibility of the departmental labor directorates. The scheme requires that a questionnaire be completed by applicants with information on their proposed business.

There has been a discernible trend with some schemes to ensure that some financial planning and business statement preparation is

completed before eligibility is conferred on applicants. This requirement is now part of the Chomeurs Createurs scheme.^{2/} The French administrators of Chomeurs-Createurs introduced a set of pre-business plan requirements in 1987 which had the effect of reducing numbers on the scheme, mostly through self selection. The French authorities do not intend these to become vetting procedures, but rather to encourage participants to critically examine their proposals before embarking on self-employment. Since introducing these pre-business plan requirements, the French Ministry of Labor has instructed local consultative bodies handling Chomeurs Createurs applications to be less categorical in their screening and to encourage that the weaker applicants revise their proposals and resubmit them.

c. Outputs and Wider Effects

The French program has enrolled large numbers of participants (although these enrollments have declined some what in recent years) and assisted them in becoming and remaining self-employed. Chomeurs Createurs enrolled 72,000 participants in 1986, a peak enrollment year, and enrolled an estimated 55,000 participants in 1989. These figures amount to less than 5 percent of the unemployed workers in the country. Approximately 53 percent of participants in the French program were still in business three years after enrollment in a self-employment program.

In 1986, half the unemployed setting-up their own businesses had received capitalization amounts of less than 20,000 francs. Most CC participants also made personal financial contributions to their enterprise in addition to the capitalization assistance. Almost a quarter of all participants reinvested their severance/redundancy money. Less than one-third received a bank loan. Almost half the participants started their enterprise with less than 40,000 francs capital in 1981; and in 1983 and 1984, it was less than 50,000 francs.

Statistics for 1982-85 indicate that participants were drawn from virtually every segment of the unemployed. There was, however, a disproportionate representation of managerial, professional, and skilled workers.

In 1981, a detailed study showed that almost two-thirds of scheme participants held a technical diploma. Until 1984, skilled workers and supervisory staff made up the largest group of participants followed by clerical staff. In 1984 (with changes to the scheme), there were increases in the number of unskilled workers and declines in the number of skilled workers. In 1987 the occupational backgrounds of participants included skilled salaried workers (37 percent), clerical workers (30 percent), managers (14 percent), technicians and supervisory staff (13 percent), and unskilled salaried workers (6 percent).

d. Evaluation

Data are not available on the net employment effect of the program. A total of 244,520 new business start-ups and takeovers occurred in France in 1985 of which 57,610 (i.e. 23.6%) were assisted by the CC program. This figure was up significantly from 13.4 percent of CC assisted new business start-ups and takeovers in 1984. However, in 1987 there was a drop in the numbers of new enterprises created with assistance from the CC to 56,600, or just over 20 percent of the total of 274,000 new enterprises created in France for that year. This reduction most likely corresponds to the overall reduction in program participant numbers in recent years. The French program appears to have had a substantial impact on economic activity and employment generation. As of 1988, the French program accounted for about one fifth of all new businesses started in France.¹ The program also appears to have generated a substantial number of jobs, primarily in the form of self-employment for the new business owners.

Data for the CC program conform to both these patterns. It was reported earlier that about 33 percent of CC firms cease operations within three years. Of CC businesses surviving three years, about 25 percent create jobs in addition to that for their proprietor. One survey of CC-assisted businesses estimated that by the end of one year's operation they had hired an average of 1.5 workers. Another survey of 525 CC-assisted firms around the city of Lyon estimated that one entrepreneur created on average two jobs in addition to his own after being in business two years and 3.5 after three years (Dossou 1984). Such dominance of very small firms among program enterprises mirrors their dominance in the sectors in which they are engaged. For example, in France in 1983, 62 percent of all firms in the services sector had only one employee, and 96 percent had less than ten; the corresponding figures in commerce were 57 percent and 95 percent, respectively, while in construction they were 50 percent and 93 percent, respectively.

Deadweight is a measure of the numbers of scheme participants who would have established their businesses whether or not the scheme provided assistance. In other words, the incentives provided by the scheme were not needed to influence the behavior of these people. Deadweight is thus often assumed to reduce the effectiveness of the schemes. However, it may have a more positive effect by encouraging some people to start up their businesses earlier and/or provide a safety margin to some businesses that would not have otherwise got this assistance. In 1982, a survey found that of the surveyed participants who had set up their enterprises the previous year, 50 percent said that they would not have set up their enterprises without assistance, 21 percent said that they would have set up in any event and the remainder did not know or did not reply.

The finding that only a subset of program-sponsored firms survive

and contribute to job creation raises an important question: Is it possible to predict which candidate entrepreneurs or proposed business are likely to be more successful than others? If so, then program performance might be improved by targeting these promising candidates.

Businesses were more likely to have ceased operations if their proprietor was under 30; did not come from a professional or managerial background; had been unemployed more than one year; and had earned a relatively low wages before unemployment. Equally, new firms were more likely to discontinue if they were started with an initial investment of US\$ 1500 or less and if they were in the services sector.

Confirmation of the same patterns is provided by contrasting business failure rates in the British Enterprise Allowance Scheme and CC programs. The French CC program (prior to program changes in April 1984) was more oriented toward former managers and skilled workers than was the British one, and the French firms typically started with a higher level of proprietor investment. These differences then can be correlated with the observation that rates of business closure over a three year period in the United Kingdom were approximately fifty percent, while in France they were about 33 percent.

These patterns are further confirmed by other French experience. In 1982, 71 firms about two years old were surveyed in the Nord Pas de Calais region of France; 60 percent of the entrepreneurs starting these firms had been unemployed when they began. Comparisons were made between firms which made a profit (before depreciation) and those which did not. In general, the former tended to have been started by an entrepreneur who had experience in the activity of the business as well as in management and had completed an above-average level of education. The firms' employees were recruited primarily for their professional competence and motivation. The firms equipment was adapted to their needs, and the firm produced accounting information, regularly using a computer. Firms not showing a profit were typically characterized by a lack of funds and troubled relationships with their banks. Often, their equipment was ill-adapted to their needs, and professional competence and motivation were not high priorities when hiring employees. Other surveys have pinpointed similar difficulties as typical of those which handicap new ventures: that entrepreneurs lack both management experience and personal experience normally associated with entrepreneurship (such as autonomy and taking responsibility); that these individuals lack credibility to the "outside" in terms of professional qualifications and experience, as well communication skills; and that the firms lack access to financial and other resources.

Such findings carry important implications in terms of the goals to

be pursued by programs such as the Enterprise Allowance Scheme or Chomeurs Createurs. The more program participants are drawn from persons who have weaker prerequisites for business success, and the more these entrepreneurs enter lines of business with the fewest financial and personal prerequisites, the more likely are the resultant self-employment businesses to experience only a brief and unprofitable existence. Thus these programs face a tradeoff between economic objectives and social ones. They can maximize the extent to which they serve those hard to employ, or they can maximize business survival, profitability, and employment generation.^{3/}

2. LOCAL EMPLOYMENT INITIATIVES

Local Area

The French government offers a series of premiums both for the creation of new enterprises and the creation of new jobs within new and existing businesses.

The main incentive to encourage new enterprise formation is the "prime regionale a la creation d'entreprise," created in 1982. Under it, France's regional governments may offer up to 150,000 FF to new manufacturing firms, depending on the industry, area, and amount of initial capitalization. In addition, new firms qualify for some tax exemptions during their first three years of operation.

A number of premiums are designed to expand employment. Under the "prime regionale a l'emploi (Regional Employment Premiums), the government offers 10,000 FF - 40,000 FF per job created, according to industry and area, allocated by regional councils to both existing and new enterprises. The "prime d'aménagement du territoire (Regional Development Premium)" provides 35,000 FF to 50,000 FF per job for both new and existing firms. Special premiums of up to 10,000 FF are provided for craft enterprises creating at least two jobs.

A non-profit intermediary has drawn together contributions from corporations, banks, and communities to capitalize a fund to offer entrepreneurs loans of 20,000 FF - 40,000 FF.

Informal investment clubs are dotted through-out France, and though there is no count of how many, they appear to be widespread. One club, Femin'Autre, has copied a model from Africa, known as the "tontine." Thirteen women pool their savings in a central fund, then make loans to one of their members, in turn, to start a business.

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B. GREAT BRITAIN

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

Great Britain was the second country to develop a self-employment program, the Enterprise Allowance Scheme (EAS). The "British Model" consists of periodic payments which are provided as a form of income support while unemployed workers develop and operate their new small businesses. A biweekly payment is made to scheme participants for income support while they arrange to establish their businesses. In many cases, this payment is made in lieu of the unemployment benefit. (The British program recently introduced a number of significant changes in program design, including more flexible benefit amounts, new training arrangements, and new management structures.)^{1/} The Allowance is intended to remove the disincentive effect of the loss of entitlement to other benefits, and encourages the creation of new, independent businesses which would not otherwise exist. In doing so, it is expected to stimulate the small business of the economy.^{2/}

In the United Kingdom the payment is a flat rate which for scheme participants may be higher than what they had received on the unemployment benefit. These periodic payments are taxable. Most payments in this form are available for up to one year and can be stopped if the applicant has a change of circumstances (for instance, gets a job elsewhere) or if there is abuse of any of the conditions of the scheme.

Business advice and assistance may or may not be an integral part of self-employment schemes. However, it is a requirement of the British scheme that all prospective EAS applicants attend a one day awareness session. (In addition EAS participants are entitled to three free sessions with the Small Firms Service).

The French administrators of Chomeurs-Createurs introduced a set of pre-business plan requirements in 1987 which had the effect of reducing numbers of participants on the scheme, mostly through self selection. The British, like their French counterparts, do not intend their program to include vetting procedures, but rather to encourage participants to critically examine their proposals before embarking on self employment.

Europeans have developed a wide range of innovative programs to supply small infusions of seed capital to entrepreneurs. Great Britain's central government has instituted a tax incentive program to encourage private investors to make equity investments in small firms. It permits them to write off pound-for-pound up to 40,000 pounds (approximately US\$ 80,000) a year placed in one or more small businesses. The minimum is 500 Pounds (approximately US\$

250) per company. Such investments must be held for a minimum of 5 years to qualify for the relief.

b. Structure

b.1. Eligibility.

Acceptance into the scheme is subject to a number of conditions. To be eligible, applicants have to be between 18 years of age and the normal retirement age, and have to have been out of work for at least 8 weeks (13 weeks prior to April 1986) or under notice of redundancy. The applicant must be in receipt of state payments, have 1,000 pounds (US\$ 2,000) to invest in the enterprise, and the project must be suitable for public support. An allowance of is then paid for a maximum of 52 weeks.^{3/}

The EAS is open to persons receiving either Unemployment Benefits or Supplementary Benefits. "Unemployment Benefits" is a social insurance program with eligibility limited to those who have made contributions while previously employed. "Supplementary Benefits" provide weekly payments without time limit to anyone whose income is low enough, including young people immediately upon entering the work force and workers whose Unemployment Benefits are exhausted. On the program application form, applicants briefly describe their proposed enterprise, but detailed business plans are not required, and applications are not screened for the viability of the business proposal. Once found eligible, an Enterprise Allowance Scheme participant receives a taxable allowance as long as their firm continues, for a maximum of 52 weeks. This payment is in lieu of Unemployment Benefits or Supplementary Benefit payments to which, in the absence of the EAS, participants would lose eligibility as soon as their business started. Eligibility for other kinds of transfer payments--including family allowances, rent subsidies, and national health insurance--is unaffected by the switch in status.^{4/}

b.2. Access to Capital and Credit.

The Enterprise Allowance Scheme provides participants with periodic payment of a weekly self-employment allowance (originally 40 pounds, or approximately US\$ 80), in place of their regular unemployment benefits. This weekly payment continues for a year while participants are developing and operating their businesses. Changes to the British EAS in 1986 allow non-independent businesses, such as franchises, agencies and distributorships to be set up with scheme support as long as the EAS participant retains day to day control.

Recent figures for the EAS reveal that before joining the scheme, 46 percent of participants were unemployed less than six months, 25 percent for between six months and one year and 29 percent for more than one year. There has been a general trend, among participants on this scheme of their having spent increasingly less time

unemployed. This effect has been accentuated by the change in eligibility criteria in 1986 decreasing the qualifying period to EAS from 13 weeks to 8 weeks of unemployment. Redundancy appears to have been the cause of unemployment for many participants.

In one survey, 68 percent of survivors stated that they expected to continue their operation indefinitely. Two percent expected to continue their business for one year or less. Over half of the respondents (59%) said that their businesses would not have survived the first twelve months without the assistance of the Enterprise Allowance. Over half of those who would have set up in business without the Allowance said the business would not have survived.

b.3 Method of Financing.

To participate in the EAS, participants are required to invest 1,000 pounds of their own money in their enterprise. A 3-year national survey showed that over 40 percent of participants invested money in addition to the initial 1,000 pounds. Extra financing was also required by most participants once the business had commenced trading. Clear differences emerge between the participants of surviving and non-surviving businesses. Those businesses most likely to have survived had received a greater degree of capital input throughout their development. Previous EAS participant surveys also clearly show that businesses which are still trading after the period of assistance had finished are likely to have had more than the required 1,000 pounds invested in them.

Very small firms dominate EAS initiatives and the firms are concentrated in activities which are possible to undertake without extensive prerequisites, either personal or financial. Over a third of the firms are engaged in activities such as arts and crafts, repair or chore services, and child care. Typically, such efforts do not require extensive previous work experience, specific skill training, formal credentials or professional licenses prior to beginning operations. They also typically do not require substantial front-end financial investment for inventories, equipment or working capital. 5/ An additional 17 percent of enterprises--primarily in retailing-- require more substantial start-up capital but typically not extensive personal credentials. An additional third of the firms--most involving skilled trades or technical services such as beauticians, auto mechanics, or businesses consultants--typically require personal skills or credentials but not extensive financial resources. Less than a sixth of the businesses require both capital and personal credentials. One consequence of the orientation of self-employment initiatives toward fields which can be entered without substantial prerequisites is that sales revenues for the majority of these firms are dependent on local consumers and local income. The likelihood of business success is thus reduced to the extent that

the person is living in a depressed region in which the communities tend to share the problems of high unemployment and low income. A second consequence of the predominance of local service and retailing firms among self-employment initiatives is the tendency of new firms to compete against and displace existing firms in the same local markets.

Similarities between the EAS and CC programs are also evident in terms of the nature and scale of businesses entered into by program participants. In Britain, the median investment made by proprietors was slightly above US\$ 1,500 with less than ten percent of the businesses having more than US\$ 7,600 in initial capitalization from this source.

b.4. Agency Self-Employment Training.

The British self-employment program provide participants with some additional supportive services, although such assistance is fairly limited. The British EAS has also relied primarily on existing service providers, and the types and quality of available services also tend to vary by locality. One service available to all program participants was free business counseling (up to three individual sessions), which was originally provided by a national agency, the Small Firms Service. The British program also includes a one-day "awareness" session that provides potential participants with basic information about the steps involved in starting a business. However, since the Small Firms Service has really provided very little counseling to participants, the overall level of business assistance was minimal.

The British funded the creation of more than 300 local enterprise agencies (LEAs), which provide participants with business training, counseling, and technical assistance. The British also tried piloting "Enterprise Clubs" and "Enterprise Evenings," regular meetings of participants to provide more intensive counseling and access to a peer support network of fellow entrepreneurs.

c. Outputs and Wider Effects

The age structure of scheme participants shows some marked disparities among the unemployed for both the British and French schemes. There is a significant over-representation of people in the 25-50 year age bracket, especially in the French scheme. EAS participants under the age of 25 are more likely to discontinue their business when the payment of the allowances cease. All evaluations of CC and EAS consistently show far more male than female participants. Almost 80 percent of CC participants in 1987 were male.

In a three-year national survey of the EAS 25 percent of those surveyed had been self-employed before joining the scheme and 98 percent had been previously employed. Previous occupations of EAS

participants were highly varied but the most frequently mentioned categories were personal/domestic services, construction, mechanical engineering, transport and distribution. Of the EAS participants, over 70 percent had received less than the EAS allowance of 40 pounds per week before joining the scheme. Over 40 percent of the survey sample said they had an interest or hobby which was relevant to their business.

The British programs have enrolled a large number of participants (although these enrollments have declined somewhat in recent years) and assisted them in becoming and remaining self-employed. The EAS began on a national basis in August 1983 and by October 1987 over 280,000 people had entered the scheme. From January through October 1987 over 94,000 people were in receipt of the Allowance. The EAS exceeded 100,000 participants in 1987 and 1988, declining to an estimated 80,000 participants in 1989. Participants amount to less than 5.0 percent of the unemployed workers. Approximately 57 percent of participants in the British program were still in business three years after enrollment in a self-employment program.

d. Evaluations

The British self-employment program appears to have had a substantial impact on economic activity and employment generation. At the peak enrollment level in 1987, the British program accounted for approximately 20 percent of new business starts in that country. The program also appears to have generated a substantial number of jobs, primarily in the form of self-employment for new business owners. For example, the British program created a total of 114 jobs for every 100 new businesses that survive for at least one year. It should be noted, however, that these figures represent gross impacts; little information is available on the net impacts of these self-employment programs.

It was calculated in a 3-year National Survey that for every 100 surviving businesses after one year, 114 additional jobs were generated (84 full-time and 30 part-time). These jobs, however, were created by only 34 percent of the surviving businesses. Three quarters of these businesses employed three or fewer employees. Ten percent of businesses employed an average of 17 employees. Very few data exist on the volume of labor input required for businesses.

Estimates of deadweight (DWT) effects are derived from information collected when respondents join the EAS. (The concept of deadweight measurement refers to whether respondents would have set up their businesses without the allowance.) Seven out of 10 survivors, people who are still operating their businesses six months after leaving the scheme, were respondents who said they would either have established their businesses without the EAS or who would have set up their businesses later without the allowance.

According to British estimates, including rough estimates for deadweight and displacement, the net employment effect of the EAS is to take 35 additional people off the unemployment register for every 100 entrants after one year, or to reduce the numbers on the unemployment register by 35 for every 100 entrants after one year.

In a recent national survey, one-quarter of business closures were found to have occurred immediately after the allowance stopped and a further one-quarter in the following six months. Participants who ceased operating their businesses cited a lack of demand for their products/services (16 percent), too much competition (13 percent) and insufficient capital (13 percent) as the principal reasons for the discontinuation of their businesses. A further 8 percent stated that they suffered ill health and another 8 percent had found a job they preferred. When asked if there were other reasons which had led to the closure of their businesses, about one-third stated that lack of demand contributed to their business closure. Of those businesses not trading, 90 percent had ceased operation completely and 10 percent were owned by another person.

For every 100 surviving businesses at the 18 month stage (the sixth month after the completion of the 12-month scheme allowance period), an additional 71 jobs were created. Of these, 32 were full time jobs and 39 part-time jobs.

Sixty eight percent of non-survivors gave economic reasons for the closure of their businesses. Of these, 29 percent felt there was insufficient demand for their product/service, and 14 percent felt there was too much competition. The proportion of non-survivors citing "not enough capital" and "costs too high" for business closure, was 21% and 10%, respectively. Twelve percent of non-survivors gave other causes for business closure (suffering from ill health, becoming an employee, retirement and selling their businesses).

Respondents were asked if they had any training needs. The majority of both survivors and non-survivors expressed a desire for more information on book keeping, marketing and obtaining financing. While 47 percent of survivors wanted additional information on obtaining financing, the comparable figure for non-survivors was 53 percent, reflecting that 17 percent of all non-survivors left their business due to a lack of capital. Forty three percent of non-survivors would have liked more information on training courses available.

2. LOCAL EMPLOYMENT INITIATIVES

Local Area

a. Support Structure

a.1. Background.

There has been a wide range of economic activity in Great Britain, as well as other European countries, to stimulate the development and nurturing of employment at both the private and public levels and at the regional as well as the national level. These initiatives include a number of large corporations which have voluntarily developed a strategy to stimulate new enterprise development in depressed communities; a wide range of innovative programs developed to provide seed capital to mid-sized entrepreneurs; new training and outreach initiatives developed to promote survival for traditional and non-traditional entrepreneurs; highly refined models of business incubators; and innovative regional projects developed to address the needs of mid-sized companies.

a.2. Description.

Business Incubators

Part of the British local economic development concept is an incubator concept which involves utilizing redundant plant and facilities to develop workshops, where redundancy means the facility is no longer justified on an economic base. The workshops rent space to entrepreneurs to run their own business within a complex where many of such different type firms are operating. They share common facilities and services such as parking, security, telephone switchboards, meeting rooms, exhibition rooms, restrooms, and canteen. They generally have on-site managers and other professionals who can offer, either free or at low cost, technical business assistance and psychological support.

Throughout Britain, old buildings are being renovated into business incubators. Likely sites are schools, hospitals and redundant factories. A development board has created light industrial workshops from an old army barracks and a former garage of the gas board. General stores, administrative offices, canteen halls, inspection sheds, boiler shops, and a clocking station, have been used. In some cases, when no suitable premises can be found, new buildings are constructed; but the workshop movement in the Britain is highly oriented toward reuse.

For example, Provanhall Holdings Ltd., a local community corporation, began laying plans to establish work spaces in Easterhouse. The company's first project was the conversion of six vacant ground floor flats, each about 700 square feet, into shop units. As of February 1983, the enterprises there, including a laundromat, hairdresser, clothes shop and a solicitor's office, had created about 30 jobs. The rents vary, depending on the tenant's profitability. Provanhall's second project was the conversion of a school annex into seven work spaces.

Many of Great Britain's workshops offer short term leases, ranging from one to three months. The size of the space can vary widely, from a few thousand square feet. (This is because any premises with long-term rent and rate commitments would be a stumbling block.)

Training and Outreach Activities

The government sector offers a wide variety of training courses. The listing of training courses offered by the U.K.'s Manpower Services Commission (MSC)--an independent government agency set up in 1974-- are similar to the listings of a giant community college. Over 500 courses are available at centers throughout the country. There include the more traditional courses aimed at helping people upgrade their skills so as to be more attractive to employers, as well as special courses for youth, the unemployed, redundant executives, women, the disabled, ethnic minorities, managers of existing businesses, and even training course for trainers. In addition, the MSC operates three training schemes for entrepreneurs--Self Employment Training, Small Business Courses, and the New Enterprise Program.

There are self-employment courses which teach basic business skills that are targeted to those who seek to run their own one-person microbusinesses. The training varies in length from two days to six weeks. The MSC pays the entire cost, and full-time enrollees receive a weekly training allowance.

Small business courses run about six to ten weeks, and are aimed at people who may initially begin on their own, but intend eventually to employ a few others. They combine the basic elements of a business strategy with a project period, when the trainees do their own market research and test their business ideas. Courses cover nearly every sector of the economy, and there are special programs geared specifically to people planning to set up hotel and catering or construction industry related ventures. Here, too, MSC pays the full cost of training and a trainee allowance.

The British private sector also offer a number of entrepreneurial training programs, many through Local Enterprise Agencies. The London Enterprise Agency, for example, runs one-day sessions for people thinking about starting up their own business, as well as longer weekend courses. These are not free, but the cost varies, depending on whether the client is eligible for a government training subsidy, which most are.

In 1980 in London's Notting Dale neighborhood two teachers, convinced by their experience that the traditional educational system had little to offer disaffected, unskilled, non-academically inclined youngsters developed their center to offer a rotating program of up to one year's practical training in four related high technology skill areas: basic computing, microelectronics

(including repair and maintenance), production and office functions. During the 1980s, these centers grew to about 200 such centers throughout Britain. The program spread quickly, and the two initiators retained much control over its replication and the curricula and standards of individual technology centers.

Initiating, Resuscitating and Financing Business Enterprises

Several local government agencies provide small seed capital to cooperatives. The West Midlands County Council, for example, has made over 300,000 pounds worth of grants to 42 cooperatives, and helped capitalize a revolving fund that has, to date, loaned about 200,000 pounds to 26 cooperatives. In London, the Greater London Council has financed more than 40 cooperatives, mostly start-ups, and in Scotland, the Highlands and Islands Development Board, describing itself as "a merchant bank with a social purpose," has supplied generally small-scale financing to 16 cooperative businesses in its sparsely populated region.

Local Enterprise Agencies sometimes help in resuscitation efforts. They supply managers from the private sector to improve the administration of an ailing firm, or help those seeking to buy out a viable sub-unit of a company that is going out of business. Institutions such as the West Midlands Enterprise Board also devote resources to regeneration, usually by financing management buyouts.^{3/}

A number of Local Enterprise Trusts have financing schemes for business start-ups and expansion. A pilot scheme in Swindon, for instance, guarantees 70 percent of a loan made by a local bank at prevailing rates to mid- and long-term unemployed who have viable business ideas but no capital, collateral, or financial track record.

A large private sector small seed capital effort is the loan program of a subsidiary of British Steel Corp--BSC (Industry) Ltd. BSC Industry has made some 800 loans to small enterprises in its 18 designated communities, the majority for under 10,000 Pounds. BSC Industry is also pioneering ways to regenerate economic activity by buying the assets of bankrupt companies from receivers and reconstituting the firm under new direction and management, and possible a new location.

In 1982, the West Midlands County Council established the West Midlands Enterprise Board as part of a concerted effort to rebuild the industrial base. In a little over two years, the New Board committed 6.5 million Pounds of equity investments and loans to 23 Midland companies. In doing so, the Board claims to have created or saved 1,700 jobs. It focuses almost exclusively on local manufacturing firms with over 50 employees. Smaller firms are

considered for investments, if they have a particular strategic importance to the West Midlands or significant prospects for growth.

The Board's investments normally range between 100,000 and 750,000 pounds under one of the four following categories: 1) expansion for companies where expansion plans have outstripped the ability of existing shareholders to provide the needed capital from personal resources, retained earnings or bank-borrowing; 2) financial restructuring for working capital or fixed assets, in situations where a company's borrowing has become undesirably high in relation to its equity base; 3) management buy-outs to assist a company's managers in purchasing a corporate division or subsidiary which the parent company is seeking to divest, either willingly or because of bankruptcy; and 4) merger and takeovers to improve business efficiency and encourage growth potential, provided the board is friendly with all parties to the agreement.

The Boards's investments are designed to earn a profit and are made on full commercial terms. The Board is not a source of subsidies or grants. In providing equity financing, the board almost always assumes a minority shareholder position. In special cases--company restructuring, for instance--the Board will become the principal shareholder. The Board stresses flexibility in its financing, using a combination of preferred and subordinate equity and longterm loans, sometimes with a year or two moratorium on debt repayment.

The Board also has the stated purpose of attracting other private resources to its investments. Its participation to date represent less than 20 percent of the total finance within the companies. Though a concerted effort, it has also attracted 2.5 million Pounds of pension fund investments in West Midland firms. Capitalization is also done by trade unions and local government retirement funds.

Potential clients must present a full business plan to the Board, including the projected company strategy for at least three years ahead. The board evaluates possible investments using typical business criteria, particularly stressing, the firm's growth potential. Once an investment is committed the Board signs an agreement with the recipient firm stipulating considerable hands-on board involvement in the firm's operations and management. Among the numerous conditions set forth, the Board signs an agreement with the recipient firm stipulating considerable hand-on board involvement in the firm's operations and management. Among the numerous conditions set forth, the Board requires that it be allowed to approve specific management actions, consult with employees, and sit on the firm's board of directors.

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C. GERMANY

1. SELF-EMPLOYMENT INITIATIVES

a. Background and Description

Encouragement of self-employment has been used in Germany as part of the general policy to improve the economy, and specifically as a policy response to unemployment, as well as a means to create jobs and to reduce the resources needed for the traditional unemployment allowances and unemployment assistance. This policy was implemented by an amendment to the Employment Promotion Act (AFG) of December 20, 1985 which allowed a self-employment ("transitional") allowance.^{1/}

Since January 1, 1986, the German labor administration authorities have been promoting the transition from unemployment to self employment with a self-employment allowance. The self-employment allowance is supplemented with sickness insurance and old-age assistance payments to provide minimum subsistence. The self-employment allowance in itself is not seen as a form of assistance designed to improve the economy, but rather a method of ensuring an individual a basic subsistence level during the self-employment start-up period. For this subsistence rationale, a self-employment payment is also paid to an unemployed person entering an existing company as an a partner or fellow worker.

The German system is not a conventional German program in that there are no time restricted activities with specific targets and preset budgetary resources. The self-employment benefits are discretionary. The benefits are unrestricted optional statutory benefits, which are limited by the budgetary resources made available in the Federal Employment Institute annual budget.

b. Structure

b.1. Eligibility

Start up payments equal the payments those receiving unemployment, disability or old age payments. The payment of benefits for starting up of self-employment depends on the timely submission of a claim to the local employment office. The claim must be filed at the employment office at the place where the claimant resides, before self employment begins. The benefits do not depend on age or previous work history. Nor are they directed at specific groups of unemployed. The self-employment allowance equals the maximum amount the claimant has most recently received for unemployment allowance or unemployment assistance; as a general rule, it may not exceed 350 DM per week (approximately \$235). Sickness insurance and old-age assistance supplements are paid at a flat rate of one-

third of the self-employment allowance in order to cut down administrative costs. These financial contributions are designed to cover the recipient's social security fees.

Participation in the German self-employment program can not begin until a worker receives at least 4 weeks of unemployment compensation or unemployment assistance. The recipient must spend more than 18 hours per week devoted solely to their enterprise.

The claimant must also have received the approval of his/her self-employment proposal by a competent authority (chambers of industry and trade, handicrafts chamber, trade association, credit institutions, tax advisers, chartered accountants, industrial advisers, associations of lawyers, doctors or architects). The claimant is free to choose the authority he wishes. The claimants are required to submit brief descriptions of the proposed activity: a curriculum vita (including certificate of qualifications); capital requirements and financial plans for the proposed project; the estimated turnover and profitability; and whether it can be expected that the self-employment will in fact provide an adequate subsistence income.

b.2. Duration

The normal period during which self-employment assistance can be received is 13 weeks. It can be extended to a total of up to 26 weeks if the claimant would be difficult to place if seeking employment. This includes older, long-term and severely disabled unemployed persons, as experience shows that they have greater difficulties in starting to earning a living than other unemployed persons. Mostly, they have little or no financial savings.

b.3. Geographical Coverage

The German self-employment system is national with no regional variation in rates, and has procedures and methods which apply at the national level.

b.4 Access to Capital and Credit

The transitional allowance is intended to cover the subsistence requirements of a person who was previously unemployed and receiving unemployment allowance or assistance, together with his/her family dependents, during the initial setting-up period of the self-employed activity. The self-employment allowance is not treated as a subsidy, but as a subsistence allowance. As a result, the Germans do not consider it as start-up capital in the conventional sense. It also does not have to be reimbursed. The claimants must make their own arrangements to acquire start-up capital and guarantees. Thus, the program resembles the British model, with periodic payments, more than the French model (lump sum payment). The recipient does not have to pay social security fees

out of pocket since he receives a financial contribution to cover social security fees for sickness and old-age coverage.

b.5. Method of Financing

The benefits are financed by equal contributions from employees and employers.

b.6. Agency Self-employment Training

The Federal Employment institute is not responsible for providing information or advice on taking up self-employment activities; these activities are under the purview of the bodies responsible for economic development and welfare agencies. There is no legal basis on which the costs of technical preparation for taking up self-employment can be met. Those seeking information and advice must therefore mainly turn to the bodies responsible for economic development and welfare.

b.7. Monitoring and Ongoing Support

The promotion activity of the Federal Employment Institute comes to an end with payment of the self-employment allowance. Counselling and monitoring, once the activity has started are the primary responsibility of those providing credit. Bodies responsible for promotion and monitoring of the economy, such as industrial and trade chambers, handicrafts chambers, trade association, credit institutions, tax advisers and chartered accountants, as well as industrial counsellors also share the responsibility.

c. Output

The extension of benefits in January 1988 resulted in a sharp rise in the number of authorizations of self-employment allowances. While in 1986 the average payment per case was 4,570 DM, in 1987 it became 5,121 DM, and further rose to 10,065 DM in 1988. The heavy demand resulted in a shortage of funds, resulting in the application of some restrictions from July 1988 onward. There was a suspension of the self-employment promotion effort from October to December 1988.

d. Evaluation of Performance of Self-employment Systems or Initiatives

During the years from 1986 to 1988, the transitional allowance was drawn mainly by married, younger, skilled men. The new businesses created were mainly in processing and the provision of services. While the payment of self-employment allowances means additional expenditures for the unemployment insurance, it also means a saving for the unemployment allowances which no longer will be claimed.

It was found that the risk of becoming unemployed again is greater the longer the payment of the self-employment allowance lasts. An extension of the allowance by up to three months leads to a short-term drop in renewed unemployment among self-employment allowance recipients. Over the longer term, however, this effect diminishes. Two years after payment of the "last or first monthly self-employment allowance", the effect apparently disappears completely.

On the average, one in every seven persons assisted by self-employment allowance is again unemployed after two years since payment of the first/last monthly self-employment allowance, irrespective of whether the claimant had been in receipt of it for three months or by up to six months. However, the average monthly increase in the risk of again becoming unemployed rises slightly. This means that the effect of transitional allowance is to reduce unemployment in the short term more markedly than in the long term.

A preliminary report by the Institute of Employment Research indicated that the scheme had given encouraging results in that during 1986/87 less than 10 percent of the scheme participants re-registered as unemployed after the period of assistance had terminated. The extent of secondary job creation beyond that of the participant appeared to be limited. For 1989, the scheme had a budget ceiling placed on it which reduced numbers of participants well below the relatively high 1988 level.

2. LOCAL EMPLOYMENT INITIATIVES

West Germany

a. Support Structure

a.1. Background

Having perceived a labor market crisis and the practical need for employment, and changes in the individual and social attitudes regarding work, Western Germany established a local employment initiative which resulted in the emergence of a "second or additional labor market" which differs fundamentally from the traditional employment market. These initiatives consist of projects and self-help groups which are intended to create "meaningful" jobs which differ from traditional businesses and institutions in both the methods of work and/or the way in which they come into being.

The conditions giving rise to this situation in West Germany have arisen from high levels of unemployment, and disproportional long-term unemployment for some groups of workers. There is an emphasis on self-management which is quite distinct from traditional forms of employment where profit maximization is replaced by coverage of costs, competition by co-operation and networking, hierarchy by

equal rights, monitoring at work by rotation of jobs, individual property by collective assets, wage differentiation by uniform and needed wages, and individual decisions by democratic ones, etc. Preference is given to self-managed work and there is perceived to be a deficit of "socially necessary" goods and services, such as the social and environmental field.

a.2. Description of Social Employment Initiatives Systems

Social employment initiatives are primarily a local responsibility, and characterized as being the domain of organizations specifically established for specific social purposes such as welfare associations, social and public service functions, or municipal associations, employment of disadvantaged groups of persons, co-operation between unpaid voluntary workers and joint financing by resources from both the participants and the public purse. Social employment initiatives are primarily designed to develop activities which are of public interest and value and which concentrate mainly on a sector within the local areas. The range of such projects is extremely broad: environmental protection, improvement of living conditions, training responsibilities, energy saving, care and counselling for disadvantage groups of persons (mainly in the form of self-help), cultural activities and other measures to improve the quality of life. Thus, the purpose of activities under social employment initiatives is to stimulate self-help and the implementation of activities directed to the improvement of public well-being.

b. Sources of Finance and Capital

Another important special feature of social employment initiatives lies in their financing. As a rule, self-help groups and projects are not in a position to finance themselves and are thus dependent on public funds. Thus their existence and the scope of their activities depend largely on the financial support received from public authorities. As commitments to provide public funds can be given only for specific -- mostly short -- periods, the existence of social initiatives, which are particularly dependent on subsidies, is permanently at risk. In addition, the receipt of public funds and the conditions that go with this also affect the content of the work. In the first place, the allocation of public funds implies that there be a defined set of objectives. This is of importance for the initiatives principally because public subsidies constitute their most important source of finance. Secondly, public funds can only guarantee financing of remuneration for those employed on the project for a limited period. Consequently, the projects are subject to a high degree of employee turnover. Finally, the provision of governmental funds is often made dependent on the employment of individuals who are threatened with unemployment and/or whose integration into the "primary labor market" is difficult.

c. Markets and Services Provided

From the labor market policy standpoint, great importance is also given to the acquisition of skills. For such acquisitions under social employment initiative to be useful, it must be possible for the capacities acquired to be applicable also in the "primary labor market", i.e., the participants must in principle be able to transfer to normal occupational activities. If they acquire skills which are not transferrable in this way, the consequence would be an undesirable discrimination in the "secondary labor market."

Also from the labor market policy standpoint, social employment initiatives fulfill a variety of functions. They increase the number of jobs available, influence the distribution of jobs to the benefit of disadvantaged groups and, not least, help to increase the skills of the employees engaged in them. Even if jobs in social employment initiatives do not in all cases provide those concerned with the income necessary for continuing security, they do at least provide a means of subsistence for those concerned. If there were greater support by public authorities for the social employment initiatives, the resulting possibilities of reducing unemployment should not be overestimated. It is also the case that because of the time-limited nature of the employment relationships under the initiatives, these do not constitute an alternative to regular employment, but rather to unemployment. On the other hand, work in social employment initiatives does in many cases lead to an expansion, broader distribution and greater direct availability for the population of products and services which meet social needs. This can provide a stimulus to the creation of new and permanent jobs in this area. Such jobs can be created either within the initiatives themselves or in other organizations, e.g., welfare associations.

However, the social employment initiatives are considered to be most important, not for their quantitative effect on the labor market, but for their effect on persons who are at a disadvantage in that market. These initiatives often take on employees from the so-called "problem groups". As a result of the opportunities for employment offered by the social initiatives, deskilling as the result of long-term unemployment is avoided. The employees are given occupational experience, their deficiencies in skills and qualifications are reduced and their chances of being integrated or reintegrated into the regular labor market are increased. Also, the employees earn a cash income from their employment and acquire entitlement to social benefits. Social initiatives are particularly important for young persons and young adults, as self-managed types of organization and socially-oriented activities correspond particularly well to the needs and interest of part of the younger generation. The initiative movement thus makes an important contribution to the reduction of unemployment among young persons.

d. Patterns of Ownership and Participation

Work in the social-employment initiatives is done by paid members (employees) and unpaid voluntary helpers. Specific target employment groups consist of individuals who are educationally and socially disadvantaged. The employees working in this field are generally doing jobs which are subject to compulsory social insurance contributions; they have employee status and their remuneration is based on current agreed upon wage levels. The work is mainly aimed at improving social and technical skills in order to compensate for the disadvantages suffered by specific groups of persons who are affected or threatened by unemployment. The measures to achieve this mostly require intensive social and educational monitoring. The cooperation of unpaid volunteer helpers are crucial in these undertakings. They are the ones who ensure that such initiatives will continue by their commitment.

e. Outcomes and evaluation

A 1986 survey was carried out in 15 selected labor office districts of the Federal Republic of Germany, including rural areas, towns and large cities of social employment initiatives in Germany, looking at social initiatives which had their own legal personality, and which in November 1986 had participated in at least one job creation measure. For every 100,000 active inhabitants in the surveyed region of the Federal Republic, there were approximately 213 initiatives with about 319 members (98 unpaid and 221 paid members). There was a higher density of initiatives in labor office districts with particularly high unemployment. Social employment initiatives, however, are widespread in large city areas and in places where there are universities. In the social initiatives some 38 per cent of the members have completed university studies. They include an above-average proportion of employees with university degrees as compared with the general population. Exactly half the paid members have a secondary school or high school graduation certificate. On the average, the projects are financed with 46 percent of funds from their own resources, 25 percent from job creation measures, and other sources such as alternative civilian service funds, youth assistance funds, trainee funds, and other Equal Employment Act funds.

East Germany

a. Background

Restructuring of the new Federal Republic of Germany has led to the large-scale reductions in personnel; and from the standpoint of labor market and social policy, the structural change is supported

by the "societies for work promotion, employment and structural development" (ABS). The German government concludes that with the help of these societies, the whole range of instruments available as part of an active labor market policy under the Employment Promotion Act (ACG) should be put into effect on a targeted, speedy and efficient basis.

b. Support Structure

The ABS are independent organizations with legal personality and are pursuing the objective of encouraging employment and/or training and/or other activities relevant to the labor market, and within the public framework. They also encourage available time-limited work or training, thus preparing individuals to meet the future work requirements arising from structural change. Not all the associations organize and carry out these measures themselves; some of them put their staff to work on measures being carried out by outside parties or to coordinate such measures.

c. Description of Self-Help Initiatives

The ABS associations are legal entities under public and/or private law (generally in the form of a public limited company or a registered association). They pursue objectives related to employment and/or vocational training, plus in some cases additional activities relevant to the labor market (including counselling, coordination of various labor market policy measures and welfare measures for those on short-time work with 100 percent loss of working hours). ABS provide a framework in which publicly supported and time-limited work and/or skill acquisition (initial training, further training, advanced training and retraining) are provided. ABS associations do not include: associations which from the outset are concerned mainly or exclusively with earning profits; "pure" training institutions, which are primarily concerned with private economic interests (e.g. industrial training institutions, vocational improvement centers and training centers); or departments or firms which are not separate legal entities.

The ABSs have been facilitating the organization and implementation job creation measures, as some 40 percent of all ABSs are active in job creation measures. The next consideration is the welfare of short-time workers who have 100 percent loss of working hours (measures such as establishment of skill profiles, counselling, coordination and provision of further training measures, etc.) This group comprises approximately one-third (35 percent) of all ABS participants. "Pure" training is comparatively less significant in the ABSs: only 20 percent of the participants were engaged in (full-time) skill development measures in ABSs at the end of last year. Some 7 percent of the participants could not be classified under these three types of activity.

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D. CANADA

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

The Self-Employment Incentive Option (SEIO) is part of the Canadian Jobs Strategy Community Futures Program which was introduced in 1985 by the Canadian Employment and Immigration Commission. As such, the SEIO is only available in areas selected for the Community Futures Program.^{1/} Employment and Immigration Canada (EIC), with the implementation of the Canadian Jobs Strategy, started a program which enabled unemployment insurance and social assistance recipients living in non-metropolitan areas of high unemployment and economic disadvantage, selected by the Minister for the Community Futures program, to continue to receive income support while becoming self-employed. One of the central goals of the Labor Force Development Strategy was to move away from passive income maintenance toward active employment measures. EIC felt that the Canadian experience and that of other countries with self-employment and entrepreneurship programs demonstrated that active program measures encouraged self-sufficiency. The Canadian Government therefore proposed to expand its self-employment support initiative and allow unemployment insurance claimants with viable business plans to become self-employed. ^{2/3/}

b. Structure

The SEIO is administered by local Canada Employment Centers with assistance from the Business Development Center. Those people interested in applying have to prepare a comprehensive business plan according to predetermined guidelines. Prospective applicants for the SEIO are expected to have evidence of having sought advice concerning the viability of the proposed business. The Canada Employment Center, upon receiving applications, determines the initial eligibility before organizing an appointment with a counsellor at the Center. If the application is approved after an interview a status report has to be submitted each month to reestablish eligibility for the grant. Payments of grants in the form of monthly advances are made to individuals upon receipt of satisfactory progress reports.

b.1. Eligibility

The SEIO provides a taxable allowance of C\$ 180 for up to 52 weeks to unemployed people who wish to start their own business and would normally lose their unemployment or social assistance benefit by doing so. The option also provides access to free business counselling and is not, therefore, just a small business subsidy. The applicant must be: legally entitled to work in Canada: a

resident in an area designated by the Community Futures' Community; or a former employee of an employer in a Community Futures Community during or after the community's selection. The applicant must also be receiving unemployment insurance or social assistance at the time of application, or establish entitlement to this assistance; have approval from Employment and Immigration Canada for the proposed business; and have at least C\$ 340 to invest in the business over the 52 weeks. Special provisions exist for partnerships and cooperatives. In addition to the above criteria, the proposed business must be a new business in a Community Futures area; a commercial activity in which the applicant has had no prior ownership interest; and suitable for public funding (e.g., not involving the commercial exploitation of sex, religion or politics).

c. Outputs and Wider Effects

The Self-Employment Incentive Option, helped 6,417 clients start their own businesses by October of 1990.

d. Evaluations

A 3-month follow-up survey on Canadian Jobs Strategy clients stated that 87.2% of clients were employed or in further training. Over three fourths of the respondents were still self-employed. The Community Development Directorate reported that locally and regionally based assessments of the self-employment experiences and reception were favorable. They also noted that a Gallup evaluation of the program concluded that it was very cost-and target-effective.^{4/}

The Community Development Directorate also noted that the Young Mens's Christian Association Youth Enterprise Center Program supported by the Innovations Program was successful in establishing a program of assistance to new entrepreneurs. A study concluded that the project had worked very well in providing its participants with training and consultation, facilities and some assistance with financing. The volunteer component of having local business members serve on advisory committees was also valuable.

The Self-Employment Development Initiatives (SEDI), through the Innovations Program, established three centers to help disadvantaged women with self-employment. Seventy percent of those completing the training program were successfully operating small businesses. The success of the program was noted to be the result of a community development process and individual training and counselling.

The Community Development Directorate concluded that Organization for Economic Cooperation and Development countries have found self-

employment schemes to be an effective method to increase entrepreneurship and use public funds in an active and cost effective manner.

In January 1989, the Corporation For Enterprise Development (CFED) proposed to the Pew Charitable Trust that they fund CFED in association with the Ontario Social Development Council and its Self-Employment Development Initiative program (SEDI) to carry out needed research on the practice and policy in the area of self-employment for the disadvantaged. They, in turn, were funded to document the lessons learned in both the U.S. and Canada during the prior five years and to solicit policy makers' perspectives on the issues and challenges to be faced in making self-employment a viable part of local economic development strategies. The specific goals of the analyses were to inventory existing activities of self-employment programs; outline the concerns of key policy makers; provide suggestions for future self-employment programs; and enhance the efficiency and effectiveness of existing programs.

Some of the CFED key findings and recommendations were;

Barriers to Success

In both the U.S. and Canada, the top three barriers facing participants were lack of business related life skills, particularly communication and information gathering skills and self-confidence; lack of capital or collateral; and lack of exposure to small business practice. In the U.S., "regulatory restrictions" and "lack of support in the social assistance and unemployment insurance systems" was also mentioned among the top three.

Capital Access

Equity capital or grants for microbusiness start-ups are generally not available, whether or not the proposed business has growth potential. Seed capital loans under \$50,000 are mostly not available from banks or other mainstream financial institutions. Such loans under \$10,000 are non-existent. Self-employment loan funds have learned that technical assistance and /or training is critical to successful lending. Many wish to make it mandatory for their borrowers.

Training Emphasis

Program operators were asked what aspects of training were most important to a person trying to become self-employed. U.S. and Canadian operators had similar concerns but different priorities. In the U.S., learning how to plan, instilling self-confidence, providing

specific business information, and providing peer and group support for participants were the most important aspects of training. In Canada, instilling self-confidence and providing specific business information came first, followed by providing or helping participants access financing and learning how to plan.

Mentoring

Mentoring programs are useful to bolster confidence, provide one-on-one coaching, and give fledgling entrepreneurs a sense of what business is really like. Good mentoring takes time and effort and is not cheap.

Evaluation

Most programs think they are on the right track but say they need or want funding for staff and consultant expansion. At the same time, they are not focussing adequately on improving their cost-effectiveness or impact and many face funding cuts-offs. There is evidence that a coherent strategy has not been developed by funders or practitioners to analyze policies or programs. No framework for analysis has been established which is shared across program sites and would make meaning full comparisons and accountability possible.

Linkages

Linkage to resources beyond the programs themselves has been critical to the success of all the programs, but making effective, efficient use of outside resources is burdensome. Innovative efforts to tackle this problem are just beginning is a few sites.

Scale

Because of limited budgets, mandates and program capacity, most programs in both the U.S. and Canada are small scale. They typically serve under 200 people/businesses per year per site and create, on average, about 20 new businesses per year. Canada's Self-Employment Incentive Option, part of its Community Futures program, is the beginning of a large-scale national effort comprised of many community-based regional programs.

Screening

Screening criteria used to select among eligible applicants to training programs primarily emphasized self-selection and individual motivation but having a

business idea was also important. For credit programs, the requirement of completed business plan was almost universal.

Program Costs

Data on costs were sparse and appeared to be based mainly on rough estimates. The reported range of costs per participants or business start-up was so wide that it is obvious the programs are "apples and oranges" and simple comparisons or averaging of data must be viewed with great caution. The median cost per participant in the U.S. was \$1,718 and the median cost per business start was \$2,550. In Canada, the median cost per participant was \$3,768 and per start-up, \$9,137.

Business Characteristics

Most of the businesses created or served were in "service" or "financial service". "Retail/Wholesale" were next followed by manufacturing.

Job Generation

Nearly half of all businesses created by Canadian and U.S. programs employed at least one worker in addition to the owner and about 10 percent of the businesses created more than 3 jobs.

Business Incomes

Gross incomes of businesses served by the programs were mostly under \$50,000 in both the U.S. and Canada.

2. Local Employment Initiatives

Measures or policies to assist in job creation from 1981 to 1986, Canada developed a series of programs.^{2/} Industry and Labor Adjustment Program (ILAP) was established during January 1981 - March 31, 1984 period. This experimental three-year program was community based and not designated for any particular industry. Communities were designated for the ILAP by the Federal Cabinet for an initial one-year period with two possible six-month extensions. The job creation approaches consisted of direct job creation; the provision of funds to firms in certain industries for the purpose of capital acquisitions; enhanced training and mobility assistance; and portable wage subsidy for re-employment of older workers. From June 1984 to June 1986, there was a Modified Industry and Labor Adjustment Program (MILAP). This program replaced the ILAP program, but did not include a special industrial incentive component. The Canadian Industrial Renewal Program (CIRP) was set

up during 1981 to 1986. This program was designed to help restructure, consolidate and modernize textile, clothing, footwear and tanning (TCFT) industries, to develop and diversify the economic basis of TCFT communities and to help displaced workers make the transition to new employment or to take early retirement. This approach was similar to those of the MILAP, but were specifically industry-based rather than community-based. During October 1982 - June 1984, the New Employment Expansion and Development Program was instituted as an attempt to provide jobs for those suffering chronic long-term unemployment (those who had exhausted unemployment benefit and social assistance benefits). Projects under the program could be sponsored by Federal Government departments and agencies, municipalities, voluntary non-profit organizations, private sector businesses and unions. It was expected to create about 60,000 to 80,000 new jobs.

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E. SPAIN

1. SELF-EMPLOYMENT INITIATIVES

a. Background and Description

The first and early forerunners of Spain's Self-Employment Program (PPEA) were the various initiatives taken to stimulate employment flexibility, which were developed during the years from 1960 to 1981 under the Labor Protection Fund.

In 1985 various job-creation programs were established, administered by the Solidarity Fund. However, it was not until February 1986 that the program in its present form was born, as an improvement on the previous measures. In the same year, a change in responsibilities led to its transfer to the National Employment Institute (INEM), which is still in charge of it.^{1/}

b. Structure

The purpose of the PPEA is to promote and assist in the financing of projects which help unemployed people to set up in self-employment or in business on their own account. The funds are available only for new enterprises, and the recipients must previously have been registered as unemployed.

b.1. Eligibility.

Eligibility under the PPEA is confined to unemployed workers. However, considering the provisions of the Basic Employment Law, preferential treatment is to be given to the following groups of workers: the disabled, the long-term unemployed, workers aged over 45 and returned emigrants.

Approval of the proposed self-employment venture depends on the viability of the project under the following criteria:

- technical viability: training appropriate to the activity to be engaged in, knowledge and experience in the sector, and administrative capacity;
- economic viability: capacity to generate net profits sufficient to ensure the survival of the enterprise, knowledge of the target market, of the competition, the possible customers; and
- financial viability: capacity to fulfil short-term obligations.

The worker must also submit a report in which he/she provides information on at least the personal information and qualifications; the legal form in which the business is to be set

up; the activity and location of the business; the additional jobs to be created; the target market; the draft financial plan, covering both the initial investment plan and the arrangements for funding it; and the estimated monthly income and expenditure.

b.3. Geographical Coverage.

The PPEA operates throughout the country; however, its administration has in part been transferred to some of the autonomous authorities which exist within the framework of the Spanish State. It is thus financed by the central government but for certain areas the latter transfers the corresponding budgetary provision to the autonomous government for carrying out the program.

During 1986, the year in which the PPEA began, its administration was transferred to the regional authorities in Andalucia, the Canaries, Galicia, Navarre and Valencia. In 1991, it was also transferred to Catalonia.

b.4 Access to Capital and Credit.

Persons who start up in self-employment are provided a subsistence allowance which is a non-refundable payment intended to provide a minimum income during the start-up period. There is a financial subsidy of up to six percent for the interest charged by credit institutions providing a loan, in order to make it easier to obtain the funds needed to cover the investments required for setting-up as self-employed. The unemployment benefits may be capitalized. The full current value of the benefits may be received in a lump sum, provided that the benefit is due for three months or more. However, the option of receiving this lump sum is not part of the PPEA assistance, but comes under a separate program designed to provide the opportunity of obtaining the subsistence allowance in this way. In such cases, the worker who is taking his/her capital can also receive part or all of the money which he/she would have had to pay as monthly contributions to social security.

b.5. Method of Financing.

Spain's self-employment program is funded entirely by the central government and thus the amount provided is laid down annually in the national budget legislation.

b.6. Agency Self-employment Training.

The Ministry of Labor and Social Security anticipates that although up to now there have been no specific arrangements for training in the Self-employment program, in the near future, the two following types of activity will be available:

-General training: includes training in basic administration,

organized in modules. The duration of the training will be between 80 and 150 hours and must be completed before the person starts up in business.

-Specific training: this will be given in seminars and will deal with concrete problems met with by the workers in the course of their activities. Since this training will deal with particular subjects, it will be shorter, about 10 to 15 hours.

The Ministry of Labor and Social Security is proposing to use traditional teaching methods, but with the emphasis on practical questions and participation, designed to bring the worker closer to the problems which they will be facing and help them to learn how to solve them. Simultaneously, under a Co-operate Agreement with the Spanish Confederation of Employers' Organization (CEOE), it is intended to draft and use modules on "learning to run a business". These modules will analyze the projects put forward, case by case, and will aim to assess the viability of each individual initiative, in co-operation with the worker-businessman himself.

b.7. Monitoring and Ongoing Support.

The monitoring process starts with an assessment starting from the time before the activity begins and extends for six months beyond the start-up date. The procedure falls into two phases. After the assistance has been granted, a permit to open the premise must be secured, the required payment of taxes on economic activities must be paid, the participant must join special schemes for self-employed persons, and proof of investments and receipted bills must be provided. After the activity has begun, there is a verification that the business has in fact started up, and there is a periodical survey to obtain statistical data at the national level and in some specific provinces where there is a high level of program activity.

c. Outputs and wider effects

At the present time the proportion of applicants accepted for inclusion in the program is around 80-90 percent.

d. Evaluations

An evaluation of the improvement in the motivation and the psychological well being of the participant revealed the following results:

- Ninety-one percent satisfaction with the independence achieved;
- Eighty-four percent had more agreeable work environment;
- New activity was more in line with occupational expectations

for 74 percent;

-Forty-five percent were earning more money;

-Forty percent improved their work status; and

-Eighty-two percent had good labor relations.

The number of new participants in the program was 2,375 in 1987, and rose to over 14,000 in both 1989 and 1990, then dropping to 10,693 in 1991.

On the basis of the 1989 national survey, 84 percent of the workers who began a self-employed activity during the immediately preceding 12 months were still engaged in that activity. The same survey also showed that from two years after the beginning of activity the survival rate dropped considerably as time went on.

2. Local Employment Initiatives

Local Area

a. Support Structure

a.1. Background.

The Local Employment Initiatives (ILE) came into being as the result of an OECD co-operative action of small-scale enterprises. The present nature and characteristics of the ILE program are the consequence of the various adjustments made to the original 1983 program up to the time that it assumed its current form in February 1986.

The purpose of the ILEs is to create stable employment, by setting up enterprises which are generally private in nature but which have the support of local or regional public authorities in the form of co-financing or sponsorship.

Since its inception, the ILE Program has been run successively by the National Fund for Labor Protection, the Solidarity Fund and, since 1986, by the National Employment Institute (INEM). After the program had been taken over by the INEM, it operated under centralized management until December 31, 1989, the date on which responsibility for it was delegated to the provincial branches of the Institute.

a.2. Description of Support Structure.

The enterprises set up by the ILEs are set up in the local framework, using potential resources which are idle or underutilized and which can be made available. They are placed in new markets which are suitable for the application of innovation, imagination and the entrepreneurial spirit.

There are two distinct networks of support structures in the regions: (1) the INEM territorial network, at both the provincial and local levels (provincial directorates and employment offices); and (2) the development agencies, which can be set up as additional service provided by the communal authorities or other local authorities, or which can be in the form of foundations or public law bodies. Both of these networks include a Local Development Officer (ADL), who can act as necessary during the progress of the ILE.

Support offered under these support structures include project management support, support in funding the local development officer, technical assistance, recruitment grants, and financial subsidy. The local development officers can identify idle resources, the use of which can be harnessed to new productive activities; and they can also identify potential entrepreneurs for the development of innovative projects. The INEM can pay up to 50 percent of one year's gross salary for the local development officer. Before the ILE is set up the ADL can take the initiative to study the situation in areas or districts with particular characteristics, so as to identify unused resources and opportunities for new activities. Assistance can be given for the preparation of a feasibility study covering the basic technical, economic, financial and commercial factors. Once the ILE has been set up, the assistance is directed to specific aspects of the operation of the new enterprise, co-operation in recruiting the administrative personnel, etc. Training is offered in learning to be an entrepreneur. Recruitment grants are made available for unemployed workers aged under 25, or between 25 and 45 if they have been unemployed for at least 12 months. In both cases, the recruitment must be of workers with no prospects for recall to their former job. Up to six percentage points of the interest charged by the credit institution which provides the loan is subsidized by the INEM. However, the total amount of the subsidy is limited to a maximum figure for each stable job created.

Enterprises to be set up under the ILE program must be newly established, small or medium-scale, and not in depressed industrial sectors or promoted or financed by local or autonomous authorities. Also, the enterprises must be able to demonstrate the viability of the project. Support from the development associations which are under the autonomous regional authorities, can provide a grant to supplement the fixed capital in cases where the project is of social interest, especially if it is to lead to large-scale job creation in declining areas.

b. Sources of Finance and Capital

The sources of financial support are basically fiscal incentives and support by the development associations. Support by the development associations, (those associations which come under the

autonomous regional authorities), can provide a grant to supplement the fixed capital in cases where the project is of social interest, especially if it is designed to create large-scale job creation in declining areas. Other sources of financial support include municipal authorities or the other local authorities which are participating in the projects. They can provide a supplement to the initial capital, either in cash or in kind, i.e., in the form of land, an industrial building, accommodation, etc.

c. Markets and Services Provided

The services and products offered by the ILEs are manifold: from medical care for the elderly or the opening of a medical center, to the utilization of waste or the production of clothing. All of them enter into open competition on the market for other goods and services offered by enterprises which are not supported by any public authorities.

d. Patterns of Ownership and Participation

The structure of these enterprises can embrace a wide range of organizational models, from the individual entrepreneur to the traditional type of medium-sized public companies. The actual structure depends on the legal form adopted by the ILE at the time it is set up, and it will conform to the general legislation applicable. In the case of co-operatives, the workers own 100 percent of the capital. In the Worker's Limited Companies, the workers own a minimum of 51 percent.

REFERENCES

1/ Organization for Economic Cooperation and Development (OECD), Local Initiatives for Employment Creation, Self-Employment Schemes for the Unemployed. (Paris: OECD, June 1989).

F. AUSTRALIA

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

The New Enterprise Incentive Scheme (NEIS) aims to assist unemployed people who are in receipt of Social Security benefits to set-up self-employment ventures through the provision of a comprehensive package of assistance. The program operates as a partnership between the Commonwealth and either State/Territory Governments or Managing Agents. NEIS was introduced in 1985-86 as a pilot with 600 placements to complement State Government self employment assistance schemes through the provision of business training and income support. The pilot was extended to 1986-87 with 400 placements being made available for that year. In the 1987-88 budget, NEIS received approval for four annual intakes of 600 placements up to 1990-91 and funding to 1991-92 for forward obligation generated by 1990-91 approvals. In the 1988-89 budget, NEIS was extended to allow private sector and non-government organizations (Managing Agents) to participate as well as State/Territory Governments. This extension also provided additional placements for the program, bringing the number of available placements to 655 in 1988-89, 750 in 1989-90 and 900 in 1990-91.

In the 1989-90 Budget, NEIS was again extended to provide support to Managing Agents for administration and promotion costs incurred in delivering the program to identified regions of economic and labor market stress and disadvantaged participant groups. The use of Managing Agents is designed to enhance the equity and efficiency of NEIS by increasing its impact in targeted areas and to participant groups.

The administration of NEIS is based around Memoranda of Arrangements between the Commonwealth and State/Territory governments, signed by the respective Ministers, and Memoranda of Agreements with Managing Agents which are signed by Departmental officers at the discretion of the Minister. The Memoranda detail the respective roles and responsibilities of the parties and usually apply for one year. To facilitate administration, the Memoranda may be continued or varied by an exchange of letters by the respective parties with the same level of signatories as the original agreement.

NEIS is delivered through Managing Agents as a means of providing a greater community focus and increased support for the program by drawing on local knowledge and resources, particularly for mentor support and applicant and business proposal assessment. Managing Agents could include regional bodies such as Office of Labor market Adjustment Committees, Industry Development Boards, local

enterprise development agencies, SkillShare projects, local government or private sector and community organizations with an enterprise development focus and the expertise to deliver NEIS. The role and responsibilities of Managing Agents include:

- * co-ordinate the local marketing and promotion of the program and handle subsequent enquiries;
- * provide business advice and mentor support to participants, in particular during business proposal development and in the twelve months after business commencement;
- * arrange training courses for participants, which may include a short course/workshop for the purpose of business plan development and a longer course for the purpose of business management training including refinement of business plans;
- * assess the potential viability of businesses proposed by applicants under the program;
- * regularly monitor the conduct by participants of their respective businesses and identify post-approval training needs of participants;
- * arrange access to start up capital to assist with normal costs associated with the establishment of a small business.

Under the Commonwealth/State intergovernmental arrangements for NEIS, State and Territory governments are responsible for the provision of business advice, mentor support and access to start up capital for participants. As well, they are required to assess business viability and monitor the progress of approved businesses during the first year of operation. While each party has primary carriage of the elements of the program for which they are responsible, general administration is jointly undertaken by the Commonwealth and State governments. In New South Wales and Western Australia the State Governments support Managing Agent arrangements through tripartite agreements with the Commonwealth and agents.

The Commonwealth Development Bank (CDB) has agreed to participate in NEIS under the following conditions:

- * the CDB will consider loan applications submitted on behalf of NEIS participants by Managing Agents for amounts not less than \$2,000;
- * loans will be amortised over the minimum term considered financially appropriate by the CDB and will normally be on a fixed interest basis. Interest is charged half-yearly and the interest rate review is every two years;
- * approvals may include an allowance for loan establishment

fees where requested (establishment fees are calculated on a scale of 1 percent of loans up to \$500,000, with a minimum fee of \$250);

* loan approvals and any other dealings with applicants will be managed by CDB in accordance with its normal commercial practices including, among other matters, the right to decline applications, to take security where available, to call up (demand) outstanding balances, to take action to realize upon any security held in support of a loan and to utilize all remedies available under the law for action against delinquent borrowers including bankruptcy or liquidation as appropriate;

* where possible, a CDB officer will attend public meetings called by a Managing Agent to promote the program and will be represented on Advisory Committees established by Managing Agents to assess business proposals for NEIS support;

* while it will take into account recommendations from Managing Agents, the CDB will retain sole responsibility for the final decisions on loan approvals.

The CDB prefers to be listed simply as a potential source of finance and, in this capacity, it could well happen that the CDB will, from time to time, differ from a Managing Agent in the assessment of the viability of a proposal. The CDB has indicated that expectations about acceptance of NEIS applicant loan proposals should not be raised to a high level until such time as the Bank has gained experience in working with Managing Agents.

b. Structure

NEIS provides participants with a full and structured package of assistance with emphasis on structured business skills and business plan training and mentor support. NEIS is generally conducted on an intake bases, and provides a higher level of initial support.

SelfStart is an element of NEIS and provides fast-track access to self-employment assistance. It is a flexible arrangement which targets unemployed people, particularly recent retrenchees, who require less initial training, business advice and mentor support than is provided under the full NEIS package. SelfStart is directed to participants assessed as possessing the necessary business and technical skills to establish a business. SelfStart will normally be demand driven rather than intake based. Training, business advice and mentor support arrangements are available based on the need as assessed by Managing Agents or through other approved arrangements. Mentor support is generally less intensive than for NEIS participants and primarily reactive.

b.1. Eligibility.

For both NEIS and SelfStart, approval is conditional upon a positive assessment of business viability.

A person is eligible to participate in the program if he or she: is unemployed and registered with the Commonwealth Employment Service; and is not eligible for, or has not received, assistance for the business proposal through any other program conducted by the Commonwealth.

To be eligible to receive the NEIS Income Support, a person must have his or her business proposal approved under the program and must meet the above criteria, and be between 18 years of age and at least one year younger than the age of eligibility for an age pension under the Social Security Act 1947; be in receipt of or dependent on JSA/NSA, wife's pension, widow's pension, supporting parents benefit or special benefits under the Social Security Act 1947 at the time when the person's application and business plan are considered by the Advisory Committee. Consideration may also be given to the recipients of and dependent on sickness benefits and invalid pensions having regard to the level of disability and the nature of the proposed business; and have been granted a grant and/or loan for start up capital where the requirement for such assistance is an integral part of the approved business plan.

A proposed business may only be approved if:

- it is directed towards:

* the provision of new products or services;

* the provision of existing products or services in a novel manner; or

* the provision of existing products or services for which an unsatisfied need in the community can be demonstrated

- it is new and independent of any existing enterprises in that the proposed business should not have commenced to operate on a full time basis, nor should a commitment to operate the proposed business have been entered into, at the date on which the application is made; and the proposed business should not rely upon any other enterprise in any relationship of dependency such as that of a subsidiary or franchise; and

- it can be demonstrated that the proposed business can reasonably be expected to provide within 12 months the

participants or, in the case of more than one participant, each participant, with an income at least equal to the unemployment benefit that might be payable to the participant or participants, as the case may be, in that period, after all expenses relating to the business, including loan repayments, have been met.

Assistance under the program will not be provided for the purchase or takeover of any existing activity, for the purchase of a franchise, for multi-level marketing or networking arrangements or for sub-contracting or agency activities linked to a single contractor, firm or company (franchises may be considered in cases where franchise costs are justified in terms of support, marketing, training and stock and there are no charges for intangibles such as goodwill.

Assistance will not be available in respect of proposed businesses which are considered by the Commonwealth or Managing Agent to be in direct conflict with existing enterprises. Assistance will not be provided under the program for businesses or activities which are likely to bring the program, or the parties involved in it, into disrepute.

Assistance

The program provides four categories of assistance:

- (a) the Commonwealth provides income support, broadly equivalent to either the single or married rate of Job Search Allowance (JSA) or Newstart Allowance (NSA), for the first 52 weeks of business operation. The participant has the option to capitalize part or all of their income support entitlement under approved circumstances. Income Support payments are not affected by income from the business but are tested against income received by the participant or spouse from other sources;
- (b) the Commonwealth funds the cost of training courses in business management and business planning. the duration of courses may vary between States. Courses are normally full time. Formal Training Assistance (FTA) is payable to eligible participants;
- (c) State/Territory governments or Managing Agents provide loans/grants or assist in accessing start up capital through commercial lenders for the establishment of the business; and
- (d) business advice and mentor support both prior to and for at least one year after commencement of the NEIS business is provided to participants through State/territory governments or Managing Agents participating in NEIS with the Commonwealth.

Structure

There are two modes of delivering assistance through the program:

(a) Commonwealth-State/Territory Governments

Under this mode, the Commonwealth and respective State/Territory Governments jointly administer and fund the program through bilateral Memoranda of Arrangements.

The Memoranda enable the Commonwealth to fund training courses in small business skills and business plan development and training allowances for eligible participants; and income support payments, broadly equivalent to JSA/NSA, for participants once their business proposal has been approved.

State/Territory Governments provide business advice and mentor support before and after approval to establish a business under the program, as well as access to start-up capital in the form of loans and/or grants, either directly from government funds in those states which provide loan funds through complementary schemes or, as in some States, through a commercial lender.

(b) Commonwealth Government-Managing Agents

Under this mode, the Commonwealth and non-government organizations acting as Managing agents jointly administer NEIS through bilateral or trilateral (where there is State Government involvement) agreements.

These agreements are in the form of Memoranda of Agreements. They enable the Commonwealth to provide training course costs, training allowances and income support for participants. Financial assistance is also provided to Managing Agents for the additional administrative and marketing costs associated with the delivery of NEIS placements.

Managing Agents are responsible for the provision of business advice/mentor support and access to start-up capital for participants. They may also deliver training courses. Managing Agents operate in all states with some 80 agents involved in the program. Managing Agents deliver over 85 percent of program placements.

Outcomes

Since the program commenced in 1985, some 4,600 unemployed people have been assisted to establish new self-employment ventures. In 1990-91, there were 1,133 program placements, a 1240 percent

increase over the 472 placements in the previous year.

A sample of 428 participants out of a population of 569 approved in the 1985-86 pilot schemes revealed that: 69 percent of businesses were still in operation 3 months after cessation of NEIS income support; one additional new job opportunity was created for every 1.5 NEIS businesses continuing to operate; 61 percent of businesses would not have commenced without NEIS assistance; 96 percent of respondents stated that they would not have been able to operate their business very well, if at all, without NEIS; and 56 percent of participants had been unemployed for more than 12 months prior to assistance under NEIS.

The number of participants and Commonwealth expenditure under NEIS were as follows:

Year	Participants	Expenditures (Millions of dollars)
1985-86	579	0.705
1986-87	398	2.722
1987-88	326	3.298
1988-89	364	4.118
1989-90	472	5.249
1990-91	1133	12.184

REFERENCES

Australia. Department of Employment, Education and Training. National Monograph of Australia for a study of New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment: Experiences and Opportunities in Combating Unemployment.

G. BELGIUM

1. SELF-EMPLOYMENT INITIATIVES

a. Background and Description

A royal decree of August 22, 1983 provided for loans to be made available by the Participation Fund established within the National Occupational Credit Bank for fully unemployed persons receiving unemployment benefits who wish to set up in self-employment or to establish a business. This decree was introduced in order to supplement the range of measures aimed at alleviating unemployment, which had hitherto only encouraged the creation of wage-earning jobs, mostly in the non-trading sector.1/

The purpose of the program is to enable unemployed workers who are also short of funds to have the minimum start-up capital needed to begin new activities. If he/she satisfies certain conditions, the unemployed person can obtain aid in the form of a loan of up to a maximum of 450,000 francs (US\$15,000).

The loan is a subordinate loan, which means that the Participation Fund which grants it agrees that, if other creditors are involved, it will not insist on priority for the reimbursement of its loan and will wait until the other creditors, even unsecured ones, have been satisfied.

b. Structure

b.1. Eligibility.

At the start of the program, to meet the definition of fully unemployed, it was sufficient for a person to be unemployed, but since 1990 applicants have been required, at the time when they request a loan, to have been receiving unemployment benefits or waiting allowance uninterruptedly for at least three months. Since 1991 an additional condition must be met by the unemployed person: he/she must show that he/she has cash or a loan equal to at least half the amount of the loan applied for under the scheme.

The loan to the unemployed is aimed at persons fully unemployed in receipt of benefits who wish to obtain work by founding or taking over a business or an enterprise, either on their own or jointly with other partners, who may be unemployed or not.

The unemployed person cannot receive unemployment benefits during a period which is calculated by dividing the amount of the loan received by the amount of the daily unemployment allowance. But this period, which begins when the person commences activity, may

not exceed three years.

At present, this program is intended for the fully unemployed who have been in receipt of benefit for at least three months. It is open to all the unemployed and not just to particular groups. Candidates must submit draft operating budgets for two years, including withdrawals by the owner, and a statement of the other resources of their household. They must describe the activity and the operations planned, the proposed investments and the financial arrangements. They must provide a full justification for the project. These plans will be evaluated by the Management Committee of the Participation Fund, as that is the body which will decide whether or not to grant the loan. (As a result of making the criteria stricter, coupled with a falling-off in the quality of the projects submitted, the acceptance rate has dropped considerably from 83 percent in 1984 to 45 percent in 1991).

The practical operation of this program was entrusted to the established credit network rather than to a new body or a social security institution. The National Employment Office is involved in that it has to certify the applicant's status under the unemployment legislation and it has responsibility for suspending the payment of unemployment benefits. The Ministry of Employment and Labor (Employment Administration) monitors the implementation and provided for the budgetary financing of the scheme.

At the time the applicant submits his/her request for a loan, the applicant must have been receiving unemployment benefits or waiting allowance (if admission is based on education) for at least three months uninterruptedly. He/she must always be fully unemployed and in receipt of benefit at the time when the decision to grant a loan is made. The applicant must create his/her own principal employment, alone or in association with others, as a self-employed person or active associated employee. He/she must renounce entitlement to the interest and capital premium subsidies provided for in the economic expansion laws, up to the amount of the subordinate loan. Once he/she has set up in business, he must show proof that he has stopped receiving benefit from the National Employment Office. Since 1991, he has had to show that he can provide cash for use in the enterprise or has a loan equal to half the amount applied for.

An unemployed person who wishes to set up in self-employment or to create an enterprise is helped in preparing himself/herself for this in advance by being exempted from application of some of the requirements of the unemployment regulations. They are exempted from registering as a job-seeker, from being subject to checks, from being available for work on the labor market and from having to accept any suitable job offered to them. Also, they may not be subjected to any sanction for having been unemployed for an abnormally long time.

The exemptions are given for the three months prior to the probable date on which they will begin their activities. A three-month extension is granted when the unemployed person can prove that he/she has submitted an application for a loan during the six months preceding the end of the three first months of exemption. Because of the exemption, unemployed persons can do everything that is needed to prepare themselves for future business activities, but they may in no case already engage in such activities. Thus, for example, the unemployed person can carry out market research, buy or rent premises, recruit staff, etc. Unemployed persons may also receive such exemptions when undergoing the types of approved training.

b.3. Geographical and Industrial Coverage

Some economic activities, such as certain types of industry, are not covered. They are the economic activities in the region concerned (Flemish, Walloon or the Brussels area) which are excluded from application of the law on economic expansion of small-scale and medium-sized enterprises. As an examples, these include banking, insurance, property, the liberal and paramedical professions, dance halls, etc. Certain activities require a certificate of entry into the occupation issued by the Chamber of Trade and Commerce.

b.4. Access to Capital and Credit

Loans are provided at below market rates. The rate of interest for the subordinate loan is exceptionally advantageous; 4 percent for the so called preferential activities, which are manufacturing industry, artistic handicrafts, the exploitation or production of natural resources and innovative activities, and 5 percent for other activities. The duration is 15 years for the preferential activities and ten years for the others. The loan does not have to be covered by any guarantee (endorsement, mortgage, etc.) on the part of the recipient. It is given in cash, for the initial cash payment, and partly as direct payment by the credit institution for the bills from the suppliers of goods and services. Reimbursement of the principal begins only after five years have elapsed from the date of the loan, so that until then the recipient has to pay only the interest.

If for reasons beyond his control, the participant has to cease activity during the first six years of the loan, the loan balance due by him is not demanded. If, on the other hand, the cessation of activity is voluntary, he/she is required to reimburse the loan granted to him/her in full. The Management Committee of the Participation Fund is responsible for deciding whether or not the cessation of activity is voluntary. Where the cessation is involuntary, the unemployed person may nonetheless find it better to reimburse part or all of the loan voluntarily and in advance. By doing so, he can regain his unemployment benefits sooner. In

these circumstances, the period of exclusion from unemployment benefits is recalculated in the light of the amount reimbursed.

The decision of granting a loan is taken by the Management Committee of the Participation Fund, on the basis of the criteria set out in the regulations, and within the limits of the funds made available by the Ministry of Employment and Labor. The criteria for the decision on granting a loan include the innovative nature of the proposal; the specified approved industries or sectors; the applicant's character and technical qualifications; the enterprise viability; approved financing of the project and required seed capital; and the possibilities of the impact of the project on the reduction in unemployment.

When the funds are insufficient to meet all applications, the Committee applies the following order of priorities:

- (a) The preferred activities are given first preference;
- (b) The projects submitted by unemployed persons in receipt of benefit on the basis of their previous work, by the order in which they became unemployed.
- (c) Projects submitted by unemployed persons in receipt of benefit on the basis of their previous work, by the order in which they became unemployed.

In practice, the unemployed person has to go to an occupational credit bank to get the loan application form and all the necessary information. A file, together with a certificate from the National Employment Office on the status of the unemployed person, is submitted by the applicant to the Management Committee of the Participation Fund. The applicant file must contain the applicant's full curriculum vitae (education and work experience); an exact description of the planned activity and operation (creation, taking over or entry into an existing enterprise); the results of the enterprise, if it is already in existence; identification of the applicant's associates; details of the planned investments and their financing (opening balance sheet); the commercial justification for the project (clients, suppliers, competitors); and the budget proposals for the first two years, including the owner's proposed withdrawals, and the other resources of his household. The applicant is notified of the decision by the bank which processed the application. If it is accepted, a draft credit agreement is submitted to the applicant.

Candidates for a loan submit their proposal file to the National Occupational Credit Bank or to the approved credit association to which they have made their application. These institutions often help the applicants to draw up their financial plan.

b.5. Agency Self-employment Training and Counseling

There are no forms of training specifically linked with loans to

the unemployed. However, before or after they set up in business, the unemployed can take advantage of the programs of the institutes for permanent training of the business community which have been approved by the Government to train candidates for various handicrafts and commercial occupations or for a career as an entrepreneur. In addition, the National Employment Office, and since 1989 the regional bodies responsible for vocational training, have given a wide distribution to modular programs of training and preparation for the liberal professions.

It was observed that most failures in these ventures occurred during the first years of existence of enterprises and that they were mostly due to the incapacity of those running the enterprises to manage and administer their affairs adequately. It was therefore seen to be important for the new entrepreneurs to be able to receive the assistance and advice needed for their operations to start up properly.

The newly self-employed persons can also obtain advice from several sources of assistance to small- and medium-sized enterprises in the Trade and Industry Chambers, the organizations of the middle classes and the Economic and Social Institute for the Middle Classes. There is no monitoring of the progress of individuals while they are on the program.

b.6. Method of Financing

A Participation Fund set up within the National Occupational Credit Bank provides the loans to the unemployed. This Fund receives an earmarking from the budget of the Ministry of Employment and Labor in the form of monthly grants. The financing, therefore, comes from the central government.

2. LOCAL EMPLOYMENT INITIATIVES

National Area

A royal decree (No. 111 of December 15, 1982) and subsequently the 'programme-law' of December 30, 1988, article 118, contained certain provisions encouraging the setting-up of enterprises. These were a reduction in the employer social security contributions for eight quarters, as well as free social secretariat expenses, provided that the first employee was a fully unemployed person receiving benefits, or considered as equivalent. These provisions supplement the regulations on loans to the unemployed, by enabling an unemployed person who has just started his/her business to enjoy special facilities when engaging his/her first employee. This decree applies to the whole country.

Royal decree No. 258 of December 31, 1983 allowed for the engagement of unemployed persons for assignment to certain projects

to assist small- and medium-sized enterprises. This decree enables certain associations to receive government aid towards the remuneration and social charges for the unemployed whom they engaged for a program of assistance to small- and medium-sized enterprises. The projects can be carried out only by organizations which are non-profit-making and whose purpose is to assist enterprises or to promote economic development, or by organisations representing employers. In both cases, those applying for government help must show that for at least two years they have been providing small- and medium-sized enterprises with a range of legal, administrative and financial services. The purpose of these conditions is to limit state aid to organizations which have proven qualifications and experience in this field.

The projects may last for two years at the most and must involve the employment of at least eight unemployed persons full-time. The state involvement consists of reimbursement at up to 90 percent during the first year of the project and 75 percent during the second year to the organization concerned, through the National Employment Office, of the remuneration and employer's social charges of the unemployed persons engaged.

Local Area

There are no reports on local employment initiatives in Belgium. Such local initiatives, taken by groups of the unemployed themselves, undoubtedly exist in Belgium and many of them are linked with the measures described above, namely the loan to the unemployed. In fact, taking advantage of this opportunity, a larger number of the unemployed have decided to get together and combine the loans obtained. Such associations are to be found, for example, in agricultural enterprises, such as duck- and goat-rearing and the preparation of food products which derive on a handicrafts basis (foie gras, cheeses, etc.).

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Belgium. National Employment Office. Research and Planning Administration. National Monograph of Belgium for a Study of New Forms of Activity for the Unemployed and Measures to Assist the Creation of Self-Employment: Experiences and Opportunities in Combatting Unemployment.

H. UNITED STATES

1. SELF-EMPLOYMENT INITIATIVES

a. Background and Description

The United States Department of Labor is conducting two self-employment demonstration projects to test the feasibility of implementing self-employment programs for unemployed workers in the United States. In February 1987, the U.S. Department of Labor decided to fund an experiment testing self-employment as a reemployment option for unemployed workers. The Department of Labor signed a cooperative agreement with the State of Washington in September 1987 to conduct this experiment. Then in December 1987, the Omnibus Budget Reconciliation Act of 1987 was enacted which required the Secretary of Labor to conduct self-employment experiments for a period of three years in up to three States. One demonstration project is being carried out in accordance with this Act, in the State of Massachusetts.^{1/2/}

The design of the self-employment projects was conducted as a joint effort by the participating States, the Department of Labor, and a research contractor. The design process began with a study tour to Great Britain, France And Sweden to examine in detail their self-employment programs for the unemployed. The design process was completed in 1989, assisted by a panel of outside experts--consisting of practitioners and researchers.^{3/}

b. Structure

b.1. The Washington Self-Employment Demonstration Project followed the French model, providing lump-sum self-employment allowances as well as business training and counseling. It completed operations in 1991.

The Massachusetts self-employment project follows the British Model, providing periodic payments to project participants. Participants can receive up to 24 weeks of self-employment allowances while planning and operating a small business. This is in comparison to the regular UI program in Massachusetts which pays up to 30 weeks of benefits. However, UI claimants working to start a business would not typically qualify for UI benefits, because they are not able and available to seek wage and salary employment. This project began operations in 1990 and will continue into 1993.

b.1. Eligibility

To qualify to receive the lump-sum payment in the Washington project, workers needed to complete five milestones: completion of a series of training seminars; development of a business plan; setting up a business bank account; satisfying all governmental

licensing requirements; and obtaining adequate financing for the planned business.

In the Massachusetts project, participants are required to attend an initial training session, a series of training workshops and counseling sessions. Participants also have to work full time at starting their own business.

c. Outputs and Wider Effects

In Washington, participants who attained all five required milestones and started a business received lump-sum self-employment payments averaging \$4,282, ranging from \$561 up to \$7,389. Recipients tended to be better educated than most UI claimants. They set up businesses primarily in the service industry (53%), but with a relatively large number of businesses in manufacturing (14%), and smaller numbers in retail trade (12%) and construction (9%).

Statistics for the first two years of the Massachusetts project operations indicate that 26,170 UI recipients were invited to attend a project orientation session. Of this group, 3.9 percent, or 1,012 of invitees attended the sessions. Then 63 percent of session attendees submitted a project application. From valid applications, 263 claimants were randomly selected into the treatment groups and 258 into the control group. This represents a total of 2.0 percent of the original invitees.

Interim reports for these two projects were published in 1992. Final reports will be published in 1994. The final reports will provide detailed process and impact analyses, as well as a cost-benefit analysis. The evaluations will be able to determine net impacts and deadweight effects, but they will not be able to measure displacement effects, due to their small size.

d. Evaluations

While the studies have not been completed and there will be no benefit-cost analysis available until after follow-up surveys are completed in 1993, a number of early conclusions were made in an interim report:

- * **Small Target Population:** Like self-employment programs in the other industrial nations, self-employment as an reemployment option will be suitable for a small proportion of UI recipients--under five percent of the UI claimant population.

- * **Businesses Established:** Like the experience of other nations, businesses tend to be established in the service

sector. An exception is when countries target particular industries; i.g., Sweden targets manufacturing.

* Demographics: Also like the experience in other nations, the participants are likely to be more male, white, middle-aged, and better educated than most UI claimants. However, unlike many of these programs, women represent a substantial portion of all participants (30-35 percent). Among occupations, the professional-technical-managerial occupations are heavily represented.

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I. ISRAEL

1. SELF EMPLOYMENT INITIATIVES

a. Economic Background

As in many other countries, the unemployment situation in Israel has deteriorated in recent years, particularly with the huge wave of immigration to the country in the past two years. Again, as in other countries, there is a growing awareness in Israel of the need to encourage private business initiatives as a partial solution problem. Accordingly, a number of programs designed to encourage self-employment initiatives were set up, both by various government ministries and by other public bodies. These programs are a part of comprehensive national programs operating in the past two years to promote employment opportunities and to alleviate unemployment.^{1/}

Most of the programs aimed at encouraging private business initiatives in Israel were set up in the past two years. The economic history of the State of Israel ever since its establishment, has been characterized by central economic planning which preferred and supported big employers, generally public ones, in most employment branches. The main reasons for this preference were: a) the socialistic ideology of the political movements which led the State when it was established bred, an unsympathetic attitude towards self-employment - so much so, in fact, that small private businesses were considered practically contrary to the public good; b) after the establishment of the State, the urgent need arose to quickly provide employment and a means of living to the many thousands of unskilled immigrants pouring into the country; and c) there was an openly pronounced policy of support of full employment and geographical dispersion of businesses, even at the expense of economic efficiency and profitability, due to security as well as ideological reasons.

The creation of large publicly-owned or publicly-supported enterprises and business organizations, were therefore encouraged, thus capturing a significant share of activity in most economic branches up to the present day. Governmental encouragement and generous incentives were provided mostly to large businesses, and almost entirely in the field of industry, both by means of subsidized loans and through tax relief, advice, aid in marketing and exports, etc. In the banking system as well (private only until a few years ago), preference was given to large employers, who were supported by the State. Small businesses encountered and still encounter many difficulties in the fields of licensing, bureaucracy and taxation.

Strong government intervention gave clear preference to large and medium-sized businesses - some would say, at the expense of small

businesses. This, together with a cumbersome bureaucracy, a lack of revolving capital funds, the small size of the local market, and an absence of information centers and administrative, technological (research and development) and marketing (export) counselling services, constituted a formidable obstacle in the way of development of small businesses.

As a result of this policy - which made it relatively easy to attain a secure post as an employee while creating quite a few obstacles in the way of private enterprise - self-employment and small businesses are less common in Israel than in countries having a market economy and a similar level of technology and standard of living.

Economic crises and changes in the leading political party of Israel, together with a shift in the economic climate throughout the world towards emphasis on a free market - as well as the expansion of international commerce and its increasing importance to economic stability - led in Israel to a recognition of free competition and private enterprise as major factors in the creation of economic efficiency and profitability. The economy is still relatively centralized, but today proof of economic profitability is required as a condition for public support.

The lifting of the "safety net" which had prevented the collapse of many businesses - even failing ones - together with a considerable period of galloping inflation, caused the breakdown of central economic frameworks and big employers. This in turn quickened the pace of unemployment, further accelerated by the increase in waves of immigration to the country. About 400,000 immigrants were absorbed in the past two years by a population of some 4.5 million. This immigration, mainly from the former Soviet Union, brought manpower of a relatively high standard, but not always suitable to the Israeli economy. Over 10 percent of the civilian labor force in Israeli today is unemployed, a percentage unheard of since the establishment of the State. About a quarter of the unemployed are new immigrants (whereas the share of new immigrants in the civilian labor force is less than 7 percent).

b. Structure

The change in climate favoring the development of small independent businesses was spurred by the curbing of inflation following the Plan for Stabilizing the Economy implemented in 1985, and was greatly accelerated with the establishment of comprehensive programs to promote employment in the past two years. The initiative for these programs came from State bodies - mainly the Ministry of Industry and Trade - which, in the framework of a comprehensive program to promote employment and alleviate unemployment, set up a number of schemes to encourage self-employment. The Ministry of Immigrant Absorption set up a scheme

to promote the employment of new immigrants, mainly by encouraging private initiative. Other bodies involved in such programs include the American Jewish Joint Distribution Committee, the Israeli Chamber of Commerce, banks, immigrants' organizations - etc.

Activity is primarily concentrated in the establishment of funds for providing loans to finance mainly the setting up of small businesses, the granting of vocational training to entrepreneurs, the development of a network of information for entrepreneurs, advisory services, and mentoring. Almost all the programs are centralized ones. One of them offers support and training to "directors of economic departments" in local authorities, as part of a general effort to encourage enterprise on the local level as well. Heads of the local authorities, on their part, endeavor to encourage and attract investors, including small ones, to their towns and cities, but in general do not themselves initiate formal local programs encouraging self-employment. Apart from these activities, almost all the programs are on a national level. This centralization, dominant in most spheres of life in Israel, is of course to a large extent a function of the country's size.

The programs to encourage self-employment are part of comprehensive programs to promote employment in general. However, apart from one program, none require the recipient of the "encouragement" - provided in the form of training, financing, funds, loans, advice, mentoring, etc. - to be unemployed. All the programs have been running for two years at most, most of them for a year or less. Therefore, there are as yet few data regarding these programs, and none as to their success or failure

b.1. Eligibility.

"Small business advisory centers" (SBAC) are centrally initiated and planned. All the SBACs are managed by a common steering committee, and use a common computer program. SBACs serves as intermediaries between the individual entrepreneur and all the authorities which they must approach in order to establish a business. SBACs provide advice in the construction of business plans, initiate and organize appropriate courses, give information on the existing funds from which a loan may be obtained at the various commercial bank and on the government ministries for licenses, and assist in obtaining financing. Furthermore, they make available and finance a mentor for the first year of the business, publish brochures of information for entrepreneurs, organize seminars during which participants meet one another as well as experienced businessmen, and sponsor lectures on relevant subjects.

A few of the SBACs include "business incubators" which are also managed by a common steering committee and use a common computer program. The "incubators" provide work space, administrative services (secretary, telephone, etc.) and advice to entrepreneurs

in the preliminary stages of their businesses. Furthermore, the "incubators" provide advice to all those interested in setting up a business, even without physically entering the incubators.

c. Counseling and Training.

A project initiated about a year and a half ago, and financed by the Jewish Agency, finances the salaries of directors of departments for economic development in the various local authorities. These directors receive special training and their task is to initiate the opening of small businesses in their regions, to provide counselling to potential entrepreneurs, and to develop contacts among entrepreneurs to encourage partnerships as well as between entrepreneurs and veteran businessmen for exchanges of advice. So far 15 such departments exist in the country.

These advisors help new immigrants who are interested in setting up their own small businesses, refer them to the loan fund of the Ministry or other available funds, and provide any relevant information that may be required.

Information centers for potential entrepreneurs were set up in a number of public organizations such as the Israeli Chamber of Commerce (which issued an information brochure), in the Union of Industrialists office, in banks providing funds for small businesses, etc. These organizations also organize seminars for new and potential entrepreneurs as well as for veteran businesses, in order to create contacts and partnerships. Part of this work is done through or with collaboration with collaboration of the SBACs.

Information centers for potential entrepreneurs were set up in a number of public organizations as well as in the Israeli Chamber of Commerce (which issued an information brochure), in the Union of Industrialists Office, and in banks providing funds for small businesses.

A vocational training project for potential entrepreneurs began in 1985, at which time it was aimed primarily at military officers who had resigned from the army and were confronting a civilian labor market suffering from severe unemployment. In 1990, the project was expanded to include courses for new immigrants from the former Soviet Union (as well as for veterans unemployed).

This vocational training project offers a course for entrepreneurs which teaches them to prepare a business plan and to manage a small business. The curriculum of this course includes principles of management, relevant laws - particularly work laws, taxation and licensing, basic accounting, marketing, economy, and of course information on possibilities of financing and on projects aimed at encouraging small enterprises. The courses include approximately 200 to 500 hours of study, given in the afternoon hours for about 6 months. The courses for new immigrants are conducted in the

Russian language.

Most of the courses are under the responsibility of SBAC. Resources come mainly from the Ministry of Labor, and the Ministry of Immigrant Absorption. In peripheral areas, the Jewish Agency also participates. The teaching is carried out by experts in the various fields (from the universities, institutes, etc.)

Veteran residents who are eligible for the unemployment allowance may participate in this course while receiving their allowance (from the National Insurance Institute). The same is also true for new immigrants receiving a subsistence allowance (from the Ministry of Immigrant Absorption). Other participants, few in number, do not receive any allowance. The course itself is given free of charge. In order to be accepted to the course, candidates must pass a psychometric examination (this requirement is being considered for cancellation) and during an interview, must submit a business plan to be examined and determined as realistic, viable and appropriate.

It is intended that at the end of the course, every participant must submit his/her business plan to a commercial bank in order to obtain the loan necessary to pen his/her business. The findings of a follow-up study conducted on the participants of two courses about 6 months after they had ended, showed that approximately 10 percent of the participants were women; about a third had opened businesses, while most of the remainder claimed that they intended to open a business in the future.

In February 1992, training began for work teams for construction, providing vocation training in the construction professions, including the training of team leaders. The aim is to bring about the organization of self-employed work teams which are capable of receiving subcontracted work in the various construction professions. This project is restricted to the unemployed only, who are registered as such in the labor exchange.

d. Sources of finance and capital

The vocational training project finances 75 percent of the cost of the mentoring (by the government - the Ministry of Industry and Trade), while the entrepreneur himself must pay for the remaining 25 percent.

Universally, it is very difficult for small businesses to obtain a loan. In Israel these difficulties are even more severe, since banks tend to prefer considerations of strong guarantees - difficult for small business - over considerations of profitability. It should be mentioned too that in Israel there is no tendency among banks to accept mortgages on private homes as a guarantee for businesses, due to the strong public sensitivity on

the issue of foreclosing such a mortgage.

In the framework of the program to encourage private entrepreneur, two funds were set up to provide loans for small businesses. One of these funds began operating in June 1991 and the other in October 1991, by means of two commercial banks. Each fund has approximately NS 100 million (US\$ 40 million). The rate of the loan is up to NS 500,000 (about US\$ 200,000). Every business plan must meet the viability criteria of the bank's economists, and have a preliminary self-investment of 20-25 percent. The State gives a guarantee of 25 or 40 percent (depending on the fund). In addition, a self-guarantee is required, and the business property must be used as collateral. In one of the funds it is possible to receive a loan for revolving capital at a rate of 40 percent of the loan, and in the other fund, there is no limit on this rate. The loan is given for businesses of all kinds, for setting up new businesses or expanding existing ones, employing from one to 40 workers. One of the funds requires the acceptance of counselling, financed by the business, as a condition for receiving the loan. The interest is commercial at about 4 percent, depending on the duration of the loan (3-7 years), plus a risk premium of 1.5 percent.

The Ministry of Industry and Trade is presently initiating an increase in the rate of the State guarantee to 50 percent of the value of the loan, the provision of a subsidy on interest and an increase in the size of the funds. In one of the two funds, 182 loans have been so far authorized, to a sum of NS 34 million. The other funds have authorized 440 loans to a sum of NS 85 million.

The Jewish Agency set up 4 funds, all limited to specific geographical areas: one operates in the Negev (Southern Israel) region, one in the Galil (Northern Israel) and one in Jerusalem. All three of these funds together add up to US\$ 18 million. For loans of up to US\$ 75,000 by means of a commercial bank in the above-mentioned areas, the funds give a guarantee of 10 to 50 percent of the loan and subsidizes interest for six years.

The fourth fund, operating in the above regions as well as in the city of Haifa, gives an additional loan to clients of the two above-mentioned government funds whose loans are at a rate of up to US\$ 75,000. The loan is at the rate of half of the required self-participation: that is, 10 percent of the value of the loan. This additional loan is at very low interest and on preferred conditions.

All four funds require self-guarantee, being subject to impoundment of the assets of the business, and a self-investment rate of 10 percent of the value of the loan.

Other funding agencies include the Ministry of Immigrant Absorption which gives loans to new immigrants only for self-employment

(usually to those employing 1-2 workers). The amount of the loan is from NS 2,500 to NS 13,000 (US\$ 1,200 to 7,000). 35-45 percent of the loan is a standing loan which becomes a grant if the business still exists after three years. So far 88 percent of the borrowers have managed to retain their businesses. Self-participation of 15 to 50 percent is required. Today, 80 loans are granted per month, at an average rate of NS 10,000 per loan.

In addition, there is a small fund belonging to the Histadrut (the roof organization of professional unions) and a fund of the organization of immigrants from the former Soviet Union, both of which give small loans.

All of the above mentioned funds have a common advisory forum.

e. Markets and services provided

The Vocational training project provides up to 200 hours of mentoring given in the course of 6 months by means of an expert mentor, in accordance with the particular needs defined for each business by means of a preliminary professional examination. The mentoring can be in any relevant field: the profession in question, marketing, management, etc.

The training for the construction work teams lasts for 6 months, including 2 months of frontal teaching and 4 months of study during field work in the construction site. During the course, the participants receive a subsistence allowance at the approximate rate of the minimum wage, from which their unemployment allowance (if they are entitled to it) is deducted. During the period of field work the employer must add a certain low salary. The financing is governmental (the Ministry of Finance), while the implementation of the project is carried out by the National Insurance Institute. Thus far, some 1,200 people have applied for this project. The budget available for the project enables the training of 20,000 people in two years.

f. Patterns of ownership and participation

Up to now, 150 businesses have participated in the vocational training project, which began in May 1991. The average cost is NS 25,000 (US\$ 10,000) per participant. Eligible for participation are existing businesses employing from 8 to 100 workers and located in the north or south of the country.

g. Outcomes and evaluation

Since the program to assist the creation of self-employment, as a means of combating unemployment began operating in Israel only from

a year to two years ago, there are as yet no detailed data on it, and certainly no follow-up data describing results.

In Israel, unlike in other countries having a similar economy, a decrease occurred in the share of small businesses from 1972-1986. From 1983 to 1988, the percentage of employers employing up to 5 workers remained more or less constant, at 72 to 73 percent. It then went up slightly (by about 1 to 1.5 percent) and in early 1992 it reached 74 percent. This rise may be due to the change in attitude towards small businesses, as well as to the creation of the programs of encouragement described above.

In 1989, there were about 100,000 employers employing some 1,500,000 workers. The percentage of workers in workplaces employing up to 4 workers, out of total workers, was about 9 percent. The percentage of businesses in this category was about 67 percent.

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J. IRELAND

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

The Enterprise Scheme, which was formerly called the Enterprise Allowance, was established as a pilot project in 1983 and implemented nationwide in 1984. The objective of the scheme is to encourage unemployed people to set up their own businesses either as sole ventures, partnerships or co-operatives.

The Enterprise Scheme is run by the Employment Service (FAS), formerly the National Manpower Service of the Department of Labor. Local placement officers make the decision regarding the admission of the applicants to the scheme and the soundness of the proposal. If accepted in the scheme, participants may avail themselves of assistance from other schemes such as: the Youth Employment Agency's Youth Self-Employment Program, the Community Enterprise Program, or the national agencies' program that provides general assistance to businesses. 1/ 2/

b. Structure

b.1. Eligibility

The Enterprise Scheme provides a weekly allowance of 30 to 50 Irish pounds for up to 52 weeks, payable in lieu of unemployment benefits. Participants are required to have been unemployed for 13 weeks or more and in receipt of either unemployment insurance or unemployment benefits. In addition, people receiving disability benefit or the disabled persons rehabilitation allowance are eligible. For unemployed people, a period on a training course can count towards the total of 13 weeks unemployed. During their period on the scheme, participants are credited with social welfare contributions and they preserve their entitlement to social welfare benefits in the event they drop out of the scheme before the completion of 52 weeks, or abandon their business at the termination of the 52 weeks. There is a provision in the scheme which allows participants to capitalize either, or both, of their outstanding pay-related benefit entitlement (where it/they exists) up to a maximum of 26 weeks payments, and their weekly enterprise allowance. In either case, capitalization is only available where the applicant can invest 500 Irish pounds from his/her own resources. Relatively few participants opt for capitalization. Businesses created may be sole ventures, partnerships or co-operatives.

c. Outputs and Wider Effects

Between 1983 and early 1988, almost 20,000 people had participated in the Enterprise Scheme. Participant numbers peaked at 5,862 in 1985 but then substantially contracted to the 1987 figure of 2,381 participants due to the introduction of more rigorous vetting procedures.

According to a 1988 report 86 percent of the participants were males and 73 percent were between 25 and 44. Sixty-nine percent of the participants had been unemployed for less than one year with the median being around 30 weeks. Business survival is positively correlated with Enterprise participants who had previous experience in their self employment work or had formal training and/or a minimal level of educational qualifications. Participants who operated their businesses from premises were likely to survive longer than those who operated from home. Similarly, the larger the initial sum invested in the business, the longer it was likely to survive. Business survival is negatively correlated with participants who had spent a longer time unemployed and who were under 25 years of age.

d. Evaluations

Twelve percent of 438 participants sampled were estimated to have dropped out of the scheme before completing the full 52 weeks. Another 21 percent of businesses ceased trading during the 13 weeks after the 52-week Enterprise assistance period. From this point on the "failure" rate tailed off, so that two years after entering Enterprise, 60 percent of the businesses created were still trading of which 55 percent were trading full time. Businesses created included 73 percent in services, 21 percent in manufacturing and five percent in agriculture.

Firms surveyed indicated that every 100 businesses trading on a full-time basis at the time of the survey employed 44 extra workers on a full-time basis. These jobs were created by less than 20 percent of the surviving businesses. A study by Breen and Halpin noted that the net employment creation effect was reduced by deadweight and displacement. Taking these effects into account they estimated net additional employment to be 34 person years per 100 scheme entrants.

Almost half of the enterprises estimated to have ceased operating cited "economic reasons" as the major reason for their closure. These included lack of demand, inadequate income levels, too much competition and too high a level of costs. Aside from this, about 20 percent of enterprises ceased trading due to the participant either taking a job, falling ill or retiring. Fourteen percent listed lack of capital as the major reason for their enterprise ceasing. Of the enterprises set up as some form of joint business arrangement, 46 percent of these enterprises which ceased operation

attributed their "failure" to problems with their partners. Forty-seven percent of those Enterprise participants whose businesses had ceased trading were unemployed and receiving assistance. An additional 27 percent were working as employees.

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K. FINLAND

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

A start-up allowance program was introduced in November 1984 by a Government Order on experimental subsidies for unemployed people wishing to create their own enterprises. There have been several legislative amendments to the scheme since its inception.

The scheme is administered by the Ministry of Labor and all applications made for the start-up allowance are considered by the local manpower offices of the Ministry within the limits of the allocation available to each labor district. Sometimes the manpower office will request an opinion from the local authority's enterprise promotion officer on the potential viability of applications. If successful, an applicant receiving the start-up allowance will be visited at least once by the local manpower office during the period for which payments are made. Some manpower offices have a placement officer who specializes in providing enterprise creation advice and assistance. In addition to this source of assistance, there are also possibilities for consultations by local authority enterprise promotion officers, district offices of the Ministry of Trade and Industry, private consultancies and other entrepreneurial organizations. The enterprises which receive assistance are monitored by the local manpower offices as the monthly payments are made. If there is reason to suspect the enterprise is encountering difficulties, further visits are made by the manpower office.

An unemployed entrepreneur is paid the equivalent of a normal unemployment benefit plus a supplement of 50 percent of this amount for the days which he/she works full time on his/her enterprise for a maximum of 5 days per week). The combined allowance is paid during the period that the start-up and establishment of the enterprise is estimated to take, up to a maximum of 15 months.

b. Structure

b.1. Eligibility

To be eligible for assistance, applicants must be registered as unemployed. People who have resigned voluntarily from a job are ineligible for assistance until at least three months after their resignation (with the exception of those resigning from a job held outside Finland in order to return to Finland). Applicants must not have registered as unemployed merely to obtain a start-up allowance and cannot be receiving any other labor market subsidy. Furthermore, applicants are expected to have undergone relevant entrepreneurial training or have sufficient experience and

expertise to become self employed. Although the start-up allowance scheme does not have a separate training budget component, there are other state-provided training provisions for entrepreneurial training. Groups of start-up program-assisted entrepreneurs can receive separate training in so-called "start-up houses".

The enterprise to be created should be potentially viable and should not have commenced before a decision on the application for assistance has been made. There are no stated limits on the types of enterprises that can be created or in which industrial sectors. However, the start-up allowances are intended for small-scale production, handicrafts and/or repairs and services that can provide full-time non seasonal employment.

b.2. Financing

Capital requirements for schemes vary widely. In a 1985 study, it was estimated that on average FIM 70,000 (US\$ 17,000) were required for each enterprise. It was estimated that three times more capital was required from sources other than the scheme. One estimate suggests that approximately half the start-up allowances are recovered in the form of taxes after the enterprises have been created.

c. Outputs and Wider Effects

A total of 12,500 participants had been granted assistance under the Finland Start-up allowance up until June 1988.

Enterprises assisted by the scheme employ an average of 1.3 people including the scheme participant. A 1985 study stated that the operators of the scheme-assisted enterprises had projected that in three years time they thought they would be employing 2.8 people on average.

Thirty-seven percent of the businesses created were in manufacturing, 32 percent in services, and 18 percent in trade.

Sixty-eight percent of the scheme participants were male, and 50 percent were under 35 years of age. Fifty-two percent had been unemployed for 1-3 months and 21 percent for 4-6 months.

Sixty percent of scheme participants had some form of training; usually involving technical or low-level commercial training. Approximately one quarter of scheme participants had received higher level training and over one third had previously been in managerial positions or had relevant experience in the enterprise which they were creating.

d. Evaluations

On average, 15 percent of the start-up businesses have ceased operating within five months of the scheme assistance ending. There is, however, a wide variation in business failure rates between labor districts, ranging between one and 30 percent. It should be noted that only about one half of all applications for start-up allowances are accepted: the majority of those rejected are because the budget allocations are unable to meet demand. Other applications that are rejected are due to insufficient experience or lack of relevant skills on the part of the applicant.

The main reason for business closure is poor viability. There appears to be large regional variations in the success rate of the scheme. The least successful new enterprises are found in southern Finland. Ministry of Labor officials link this lower regional success rate with higher levels of competition. It is estimated that only 7 percent of the scheme participants whose enterprises have ceased trading re-register as unemployed; the rest appear to either find jobs or enter training schemes.

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L. THE NETHERLANDS

1. SELF-EMPLOYMENT INITIATIVES

a. Background and Description

Legislation for the unemployed who wish to create their own enterprises were introduced in the National Assistance Scheme for the Self-Employed in may 1985. The scheme forms part of the National Assistance Act which is the backstop provision in the Dutch social security system in which assistance is only made available to people if no other welfare provisions are available. The provisions for self-employment are therefore aimed at assisting recipients of the backstop welfare provisions to become self sufficient and eventually independent of the social welfare benefit system. A loan facility is also part of the scheme. In January 1989 a revised state guaranteed loan system was implemented to enable participants better access to bank loans.

Applications have to be filed at the municipal social services departments. Each application has to contain a business plan. A board of experts vets the plan and advises the social department. In some situations, a report may be made by an independent official body to determine the viability of the plan. The social provisions, as well as the expenses of the scheme, are paid out of governmental and municipal funds.

b. Structure

b.1. Eligibility

Unemployed people in receipt of benefit and those threatened with unemployment are eligible for the scheme. "Threatened" people are defined as those employees whose employer has applied to the Labor Office for dismissal authorization. In addition, the partner of the person in receipt of the benefit can also draw upon the scheme to allow a change in the family support role. Although there are no formal links with other programs for self employment, the scheme participants are eligible for the other forms of assistance that are available for the self-employed. These programs include certain tax dispensations, advice and training assistance through the Chambers of Commerce and the possibility of some finance available through municipalities where these funds exist. The introduction of the state-guaranteed loan system in January 1989 has permitted income support under the scheme to be combined with a state guaranteed loan.

The scheme provides an allowance in the form of an income supplement up to the level of social assistance, and a loan of up to Gld 25,000 approximately US\$ 16,000. The average amount of loan

that is granted is 16,000 Gld. (The allowance is added to the income from the business to top it up to the level of unemployment benefit or social assistance). Payments are made for an initial six months which can be extended by a further six months.

c. Outputs and wider effects

Approximately 3,400 applications were made for assistance under the scheme in 1987, but almost 60 percent of these were rejected. Most applicants who made applications in a 3-month survey period were in the service sector.

d. Evaluations

No evaluation on the scheme has been completed.

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M. NORWAY

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

The Norwegian Self-employment scheme was established as a pilot in 1985. The objective of the scheme is to assist those unemployed people who so wish to go into self employment with an emphasis on the creation of jobs in sectors of the economy where there is an unmet demand. The scheme was implemented on a nation-wide basis in 1988.1/

The scheme is administered by the labor market authorities. Applicants can be assisted in their preparation by both the labor market and regional development authorities. The applicants are required to give information in the form of a business plan outlining intended markets, organization of the firm, etc. The county employment boards make decisions on the applications for assistance under the scheme, but in some instances, this task may be delegated to the Job Service. The Job Service, county and development agencies in the municipalities are also able to provide advice to scheme participants.

A subsidy of up to NOK 68,000 (US\$) is offered for each job created under the scheme. This amount is a maximum entitlement not an automatic right, and is reduced if, for instance, the jobs created are part-time. The subsidy is taxable, and once received the unemployed entrepreneur is not entitled to other forms of labor market assistance for at least 6 months. The subsidy for self employment cannot be used in conjunction with other subsidies available from the Regional Development Fund or other labor market programs. Some assistance is available if applicants require training; for instance, in small business management.

b. Structure

b.1. Eligibility

The scheme is targeted to unemployed people and priority is given to those who: are not in a position to move from their communities to find employment; and are not readily fit into an ordinary employee situation, but have the resources and initiative to become self employed.

Guidelines are used to determine eligibility and priority among applications because demand for the subsidy currently exceeds supply. Jobs created by the scheme should be: 1) labor intensive thereby requiring relatively low capital input; 2) have few research requirements and/or a short developmental period; 3) not

be dependent on the provision of services from other firms; 4) have relatively low technology requirements so that they are not exposed to rapid change; and 5) have a component of private finance where possible, particularly so that the proposal is considered by other agencies.

Enterprises created can take the form of privately owned firms, joint stock companies, cooperatives or foundations. Public agencies and organizations who can apply under the scheme if their project is to utilize unemployed people.

c. Outputs and Wider effects

During the year that the scheme was established as a pilot(1985), 39 new enterprises were assisted.

d. Evaluations

No comprehensive evaluation has been undertaken in Norway. However, of the first 39 enterprises started up, 80 percent were still operating at the end of 1986.

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1/ OECD. Self Employment Schemes for the Unemployed. Paris. June 1989.

N. PORTUGAL

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

A Self Employment Scheme for unemployed workers entitled to unemployment benefits was established in May 1985 in Portugal by a Ministerial decree and subsequently amended in July 1986. The program objective is to encourage unemployed people in receipt of unemployment benefits to create their own employment using these entitlements paid in a lump sum.^{1/}

The scheme is administered by the Institute of Employment and Vocational Training of the Secretary of State for Social Security. The operational aspects of the scheme are the responsibility of the Employment Offices of the above Institute and the regional offices of the social security system. The Institute, in conjunction with other public or private bodies, is responsible for providing training and entrepreneurial support to scheme participants as they start up their enterprises.

b. Structure

b.1. Eligibility

In addition to capitalization of unemployment related benefits, a further lump sum payment of 120,000 escudoes (US \$1,100) is made available. This second form of assistance is intended to cover the investigatory and establishment costs of new enterprises, including business plans and associated preparatory material.

The new enterprise: 1) must have a legal activity as its basis; 2) can be developed either by an individual or as a co-operative venture; 3) should show evidence of economic viability and be self-sustaining; 4) must invest the financial assistance provided under the scheme investigated in the acquisition of goods and services for its development.

The payment of a lump-sum makes the participant ineligible to receive further unemployment benefits or unemployment assistance until such time as his/her entitlement is re-established. The granting of assistance under the scheme does not, however, prejudice the participant's rights to other forms of assistance that might be available, and neither does the receipt of a redundancy payment affect the person's eligibility.

c. Outputs and wider effects

In 1987, a total of 812 participants took part in the scheme, followed by 712 in 1988, and a planned 1,140 in 1989.

d. Evaluations

No evaluation has been conducted.

REFERENCE

1/ OECD. Self Employment Schemes for the Unemployed. Paris. June 1989.

O. SWEDEN

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

A pilot scheme, which provided grants to unemployed people to start their own businesses, was introduced for three years between July 1, 1984 and June 30, 1987. The scheme was adopted on a nation-wide basis on July 1, 1987. Provisions to capitalize the unemployment benefits are available through the Employment Service.1/

The Scheme is implemented by Country Employment Boards. These boards sometimes obtain assistance from the regional development fund on the merits of the applications for assistance before them.

b. Structure

b.1. Eligibility

Applicants must be over 20 years of age and registered as unemployed with the Employment Service. A start-up grant can be provided for up to six months if the proposed business venture is expected to be viable and provide the jobless individual with permanent employment. The size of the grant is determined by the benefit that would have otherwise been payable from an unemployment insurance fund or cash labor market assistance.

An option also exists for 18 - 19 years olds, whereby if they devote at least twenty hours per week to running their own business instead of working in youth teams, they can obtain state grants of SEK 600 per week (US\$ 107). Such grants are payable for up to six months at a rate corresponding to the compensation which would have otherwise been received by the individual from an unemployment insurance fund or in the form of cash labor market assistance.

d. Evaluations

A number of follow-ups have been undertaken by persons receiving start-up grants by the National Board of Employment (AMS) and county employment boards. These follow-ups showed that there is a great need for information and training on the problems of entrepreneurship. As a result the AMS, together with a number of county employment boards, have conducted an experimental scheme designed to meet these needs. These experiments highlighted the importance of an extensive network of supportive contacts/resource people to the new entrepreneur including marketing experts, bankers and lawyers. A total of 2,300 people (37 percent of them women and 15 percent under the age of 25) received assistance from this

scheme in 1987/88. About 200 people participated in the youth option for 1987/88.

REFERENCE

1/ OECD. Self Employment Schemes for the Unemployed. Paris. June 1989.

P. DENMARK

1. SELF EMPLOYMENT INITIATIVES

a. Background and Description

The Job Offer Scheme, introduced in 1978, entitled unemployed people to a job offer of seven months duration in the public sector or nine months duration in the private sector after two years of unemployment during which they were receiving unemployment benefits. On termination of the job offer period, the unemployed were able to qualify for unemployment benefits and then later for another job offer. After the first job offer under the program, most of the unemployed did not obtain employment and almost one-half became entitled to a second offer. In 1985, the Danish Job Offer Act was amended so that unemployed people who have reached the age of 25 and have already made use of the first job offer, may instead of a second job offer, choose between two options: training while receiving a training allowance; or attempt to set up their own business using an enterprise allowance.^{1/}

Information and application forms are available from the local public employment service or the unemployment insurance fund. In some cases, applications are forwarded to the public employment office via the unemployment insurance fund which determines eligibility.

b. Structure

b.1. Eligibility

The enterprise allowance in 1985 was worth 50 percent of the maximum rate of unemployment benefits, being about DKr 52,000 (US\$ 8,800) per year for people insured full-time against unemployment and nearly DKr 35,000 for people insured part-time. The allowance may be granted for up to 3 1/2 years after the termination of the job offer period.

To be eligible for the training allowance and the enterprise allowance, the applicant must be unemployed; belong to an unemployment insurance fund; have completed a job offer and be at least 24 years as well as under 60 years of age; must be entitled to daily cash benefits; and must not have withdrawn from a job offer for reasons attributable to their own conduct or situation; and they must not have turned down a reasonable job offer.

c. Outputs and Wider Effects

In 1986, 1,426 long-term unemployed people chose the enterprise

allowance option. In 1987, this figure was 1,008 of which 42 percent were male and 58 percent were female.

REFERENCE

1/ OECD. Self Employment Schemes for the Unemployed. Paris. June 1989.

IV. SUMMARY OF FINDINGS

1. Since the late 1970s, self-employment programs for unemployed workers have been established in many countries. The first programs were established in France and the Great Britain. In the 1980s the programs spread rapidly, particularly in the Western industrial nations. There are now 17 programs in the member countries of the Organization for Economic Cooperation and Development (OECD). Recently many of the countries of Eastern Europe have become interested in and adopted such programs. Programs also exist in a number of other countries. In addition, the United States is conducting demonstration projects in two locations.

2. The OECD countries with programs are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Great Britain, Ireland, Italy, Germany, Greece, Ireland, Luxembourg, the Netherlands, Norway Portugal, Spain, Sweden. Eastern European countries with programs include: Poland, and Hungary. Other countries with programs include: Israel.

3. The self-employment programs for the unemployed are microenterprise programs. Participating workers create a job for themselves. If they hire other employees, the numbers tend to be small. Most businesses consist only of the owner-operator. The average employment of the businesses established tends to be no more than two to three workers.

4. The objectives of these programs have tended to be threefold. First, they are a component of countries' reemployment strategy. They create jobs for the owner-operator, and they create jobs for others when the own-operator goes on to hire additional employees.

Second, they are also a component of an economic development strategy. This strategy is based on the widespread recognition in the 1980s that the main engine of growth in most industrialized countries has come, not from large firms, but from the establishment and expansion of very small enterprises. In some countries such as Sweden, there have been geographic constraints place on self-employment programs, because they are part of a regional economic development strategy rather than a national economic development strategy.

And finally, in many countries, self-employment programs are designed to instill a spirit of enterprise among participants. In most countries, this means extending the spirit of enterprise from other portions of the population to unemployed workers, but in Eastern Europe these programs are part of a strategy to restructure their economies and increase the role of private enterprise.

5. The programs tend to be small. In no case do more than five percent of the unemployed participate in these programs. In part these programs are limited by the governmental funding made available to them. But even in countries which have devoted substantial funding to the programs, participation appears to be limited to those workers who are willing to take the risk and expend the effort necessary to establish a microenterprise.

6. Nevertheless, self-employment programs for the unemployed can have a substantial impact on the rate of new business formation in a country. In France and the United Kingdom during the mid-1980s, their self-employment programs accounted for as much as one fifth of national new business formation.

7. The scope of self-employment programs for the unemployed as measured by enrollment peaked in much of Western Europe in the late 1980s. The major cause of the decline at the end of the 1980s appears to be the onset of a recession. On the other hand, this was also the time that several programs were initiated in Eastern Europe. In Canada, self-employment for the unemployed was expanded from a regional economic development program to a national economic development program in 1990.

8. Some countries include vetting procedures as an attempt to select business which are considered to be likely to succeed, but most do not.

9. Most countries only support the establishment of new businesses, but some allow the purchase of existing businesses or entering into an existing business as a partner or fellow worker.

10. The targeting of self-employment programs have been mainly toward unemployed workers collecting unemployment compensation or unemployment assistance, but in some countries such as France, others can participate. Other target groups include: welfare recipients; social security recipients; new immigrants; and workers who cannot move out of their communities. Countries also screen out certain classes of workers or provide preferential treatment to certain classes of unemployed workers. Younger workers are most frequently screened out. Preferences are sometimes given to particular groups of workers, such as disabled workers, the long-term unemployed, new immigrants and returned emigrants.

11. Eligibility criteria vary widely. Unemployed workers may be required to be involuntarily laid off. Participation of workers in receipt of layoff notices may be permitted. Workers may be eligible at different points in time: at the time they become unemployed; only after a specified number of weeks of unemployment; or after they exhaust their unemployment compensation. Some countries restrict the occupation or industry of businesses which are supported. In some cases, the program is restricted to certain geographic regions.

12. Countries provide self-employment payments in the form of lump-sum payments or periodic payments. Some countries also subsidize private sector loans, guarantee private sector loans or directly provide loans.

13. Many countries provide self-employment training, counseling and other business support services. These services can be provided either by the program itself, other government agencies or private service providers. The availability of business support services has been increasing over time in many programs.

14. Financing is usually provided by government general revenues. The size of the self-employment program is dependent on provision from national governments' annual budget. Funding is occasionally of funds from: employer and employee payroll taxes; or from state or local governments.

15. Monitoring of self-employment program activities is usually limited, largely to minimize the administrative cost of the program.

16. Evaluations of self-employment programs tend to be limited in scope. A number of countries track the survival of businesses established. Most studies have found that firms established have reasonably high survival rates. The United States is conducting two classical experiments of testing demonstration programs which provide lump-sum payments or periodic payments, plus either providing training, counseling and other business services. These studies will determine the impacts and cost effectiveness of these experiments; the final evaluations will be published in 1994.

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