

## Do public subsidies have an impact on start-ups survival rates? An assessment for four cohorts of firms set up by previously unemployed entrepreneurs in France \*

Dominique Redor

### Key question

Public support to start-ups, particularly those created by unemployed people, has been used as a tool for implementing active employment policies across most OECD nations. To what extent does this support achieve its goal of fostering the development of new firms while enabling job seekers and minimum social welfare recipients to create their own jobs? Our study assesses the impact of ACCRE (a support programme for unemployed people starting or taking over businesses) on the five-year survival rate for new firms.

### Methodology

The study relates to four cohorts of firms surveyed for INSEE's "new business information system" (SINE), respectively started in 1994, 1998, 2002 and 2006. It uses the joint econometric estimation of an equation modelling firm survival and another equation modelling the factors of entrepreneurs' participation in the ACCRE programme.

### Main results

Descriptive statistics suggest a positive effect of ACCRE on five-year survival for the four cohorts of firms created by entrepreneurs who were unemployed or economically inactive just before starting their business. However, estimating the model revealed:

- An ACCRE recipient selection effect. This may be attributable to the administrative process governing the decision to grant the support during the periods in question, resulting in priority being given to projects with the best economic expectations. It may also reflect self-selection among entrepreneurs, among whom the best-informed and best able to develop a viable startup project are the most likely to apply for ACCRE support;
- Once the selection effect controlled for, the probability of firms created by ACCRE recipients surviving for at least five years was no higher than for non-recipient entrepreneurs.

Mean impact of ACCRE and some characteristics of the entrepreneurs and their firms on five-year survival, taking into account recipient selection effects

ACCRE recipient	No impact
Ample financial resources at start-up	Positive impact
Higher education qualification	No impact
Firm established as a company rather than an individual business	Positive impact

Source: Insee, SINE surveys 1994, 1998, 2002 & 2006. Author's estimations.

### Main messages

This finding that the survival rate of new firms was unaffected by ACCRE is particularly remarkable, given that the ACCRE programme saw significant changes over the course of the studied period: the level of support in 1998 was less generous than in 1994, and the eligible population was expanded with effect from 2002. Over the following years, the conditions in which ACCRE support was awarded by authorities were greatly relaxed (2007), and then the "autoentrepreneur" self-employment regime was introduced in 2008, under which unemployed or out of the labour force entrepreneurs were also eligible for ACCRE assistance. This reformed institutional context deserves further assessment. Furthermore, while noting the lack of effectiveness of the programme on firm survival, one should not overlook its probable positive impact on the employability of individuals who had slim chances of finding employment but went on to start their own business.