

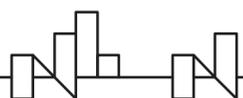
Assessing the Impact of a Minimum Income Scheme in the Basque Country

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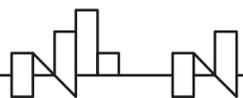
Introduction

- The Minimum Income Scheme (MIS) was introduced in the Basque Country in 1989 with the **Integral Plan to Combat Poverty**, whose main objective was to fight poverty and social exclusion.
- The European Council Recommendation 92/441/EEC of 24 June 1992: Minimum Income Scheme (MIS) as a last resort scheme which recognised the basic right of every individual to ensure a decent minimum standard of living.
- Since 2008, The European Council endorsed the objective of combining adequate income support with **labour market activation measures** so as to ensure relocation of beneficiaries into the labour market.



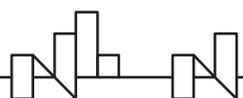
Aims of this paper

- Evaluation of the impact of a MIS in the Basque Country
 - Passive Policy: Does MIS **delay** entry into the labor market for their beneficiaries?
 - Active Policy: Do the activation measures **accelerate** entry into the labor for MIS beneficiaries?



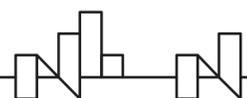
Law 4/2011

- Household-based
- Eligibility requirements
 - Insufficient income
 - Census and actual residence in the Basque Country over the last three years.
 - No other properties than the habitual residence
- Coverage
 - Monthly
 - % of minimum wage depending on number and type of members in the household (from 626€ to 960€)
 - Compatible to other incomes: covers the difference
- Labour Market Availability
 - All members able to work must be available to do so and be registered in the Public Employment Service
 - Inclusion-oriented agreement



Dataset: Register of the Basque Public Employment Service

- Monthly longitudinal information
- All individuals registered in the Basque Public Employment Service
- From February 2015 to January 2016
- Information
 - Demographic characteristics: gender, age, nationality, postcode, educational level, languages knowledge...
 - Labour characteristics: **status**, unemployment duration, occupational and geographical search, previous experience...
 - Unemployment benefits: current or past entitled benefits, assistance benefits and/or **MIS**.
 - Activation measures received in the last 12 years.
- Exit into employment: transitions from registered unemployed to employed status.



Descriptive statistics

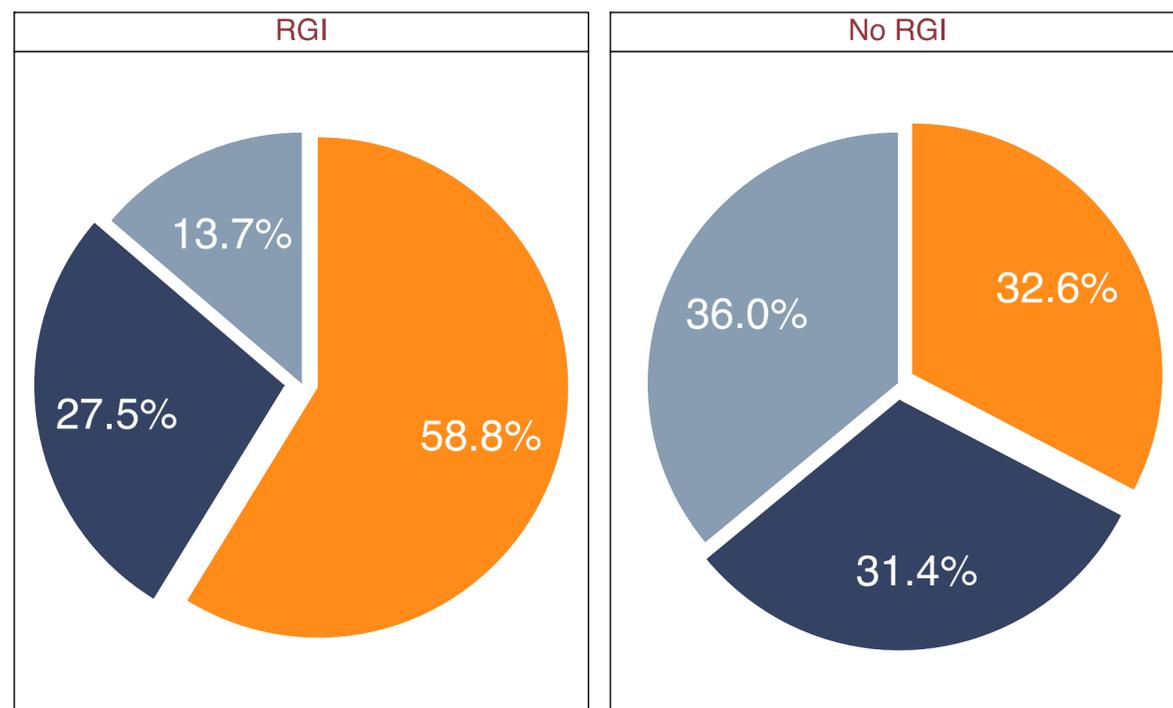
- Around 62.000 MIS beneficiaries
 - 13.000 employed
 - 38.000 “Registered-unemployed”
 - 25% of all registered unemployed

Monthly exit rate

- MIS: **3%**
- Non-MIS: **9%**

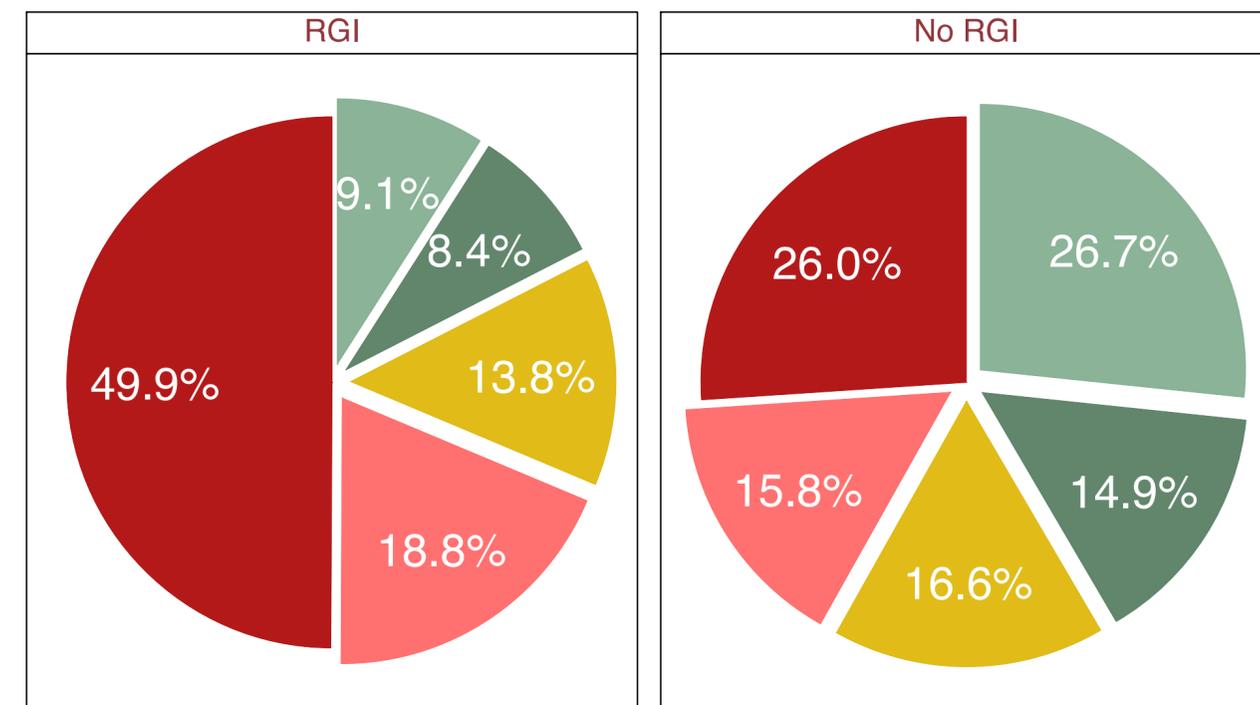
- Two prevalent characteristics: those with higher impact in job finding probability

Composition by educational level

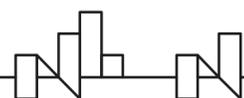


Primary Secondary Tertiary

Composition by unemployment duration



<3 3-6 6-12 12-24 >24

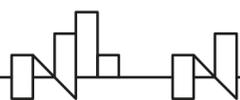


Determinants of the probability of finding a job

		Dependent variable: exit probability	
		Unemployed MIS beneficiaries	Unemployed Non-MIS beneficiaries
Education	primary	0.0026*** (0.00098)	0.0025* (0.00144)
	uncompleted secondary	0.0001 (0.00095)	0.0041*** (0.00141)
	secondary	0.0053*** (0.00102)	0.0151 (0.00140)
	high school	0.0080*** (0.00135)	0.0157*** (0.00155)
	Medium vocational training	0.0111*** (0.00148)	0.0289*** (0.00158)
	High vocational training	0.0175*** (0.00177)	0.0284*** (0.00158)
	Undergraduate	0.0253*** (0.00317)	0.0301*** (0.00187)
	Bachelor or more	0.0176*** (0.00230)	0.0300*** (0.00170)
	Unemployment duration	3-6 months	-0.0524*** (0.00189)
6-12 months		-0.0662*** (0.00172)	-0.1045*** (0.00087)
1-2 years		-0.0819*** (0.00163)	-0.1297*** (0.00084)
2-3 years		-0.0857*** (0.00164)	-0.1392*** (0.00091)
3-4 years		-0.0891*** (0.00164)	-0.1480*** (0.00092)
4 or more years		-0.0943*** (0.00160)	-0.1566*** (0.00081)
		baseline prob.	0.0291
	average pred. prob.	0.0304	0.0750
	Observations	431,773	1,297,683

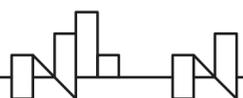
Pool probit. Marginal effects are displayed.

Additional variables have been included in the estimation: gender, age, nationality, disability, social service derivation, benefits, activation services, requested occupations experience, activity in the previous field of work, language skills, geographical scope of the job search, province of registration and months in which the individual is observed as unemployed.



Evaluation of the impact of the MIS

- **Passive policy:** does it **delay** entry into the labour market?
 - Problems
 - Selection bias
 - Confounder effects
- **Active policy:** does it **improve transitions** towards employment?
 - Problems
 - Selection bias? Unknown selection process but differences in the composition of important characteristics.



Methodology

$Y_i = 1$ if the unemployed gets a job next month

$Y_i = 0$ if the unemployed remains unemployed next month

D_i treatment effect (MIS or ALMP)

X_i covariates

- **Inverse Probability Weighting (IPW)**: remove observed systematic differences between treated and control subjects

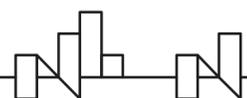
1. Calculate the Propensity Score: $p(x) = P(D = 1/X)$
2. Reweighting procedure: new pseudo-random sample

$$w_i = 1 \text{ if } D_i = 1$$

$$w_i = \frac{p_i(x)}{1 - p_i(x)} \text{ if } D_i = 0$$

3. Calculate ATT of the new sample

- **Augmented Inverse Probability Weighting (AIPW)**: adding covariates

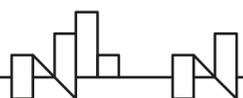


In the second evaluation it is also used...

- **Propensity Score Matching (PSM)**: matched sets of treated and untreated subjects who share a similar value of the propensity score

$$p(x) = P(D = 1/X)$$

- In the presence of confounding factors, covariates are related to outcomes and thus, matched subjects are more likely to have similar outcomes than are randomly selected subjects. Therefore:
 - Impact of the MIS: IPW and AIPW
 - Impact of ALMP: IPW, AIPW and PSM

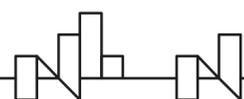


Evaluation 1: Impact of MIS on job finding probability

- Treated group: unemployed MIS beneficiaries
 - Job finding rate: 3.0%
- Control group: unemployed individuals who do not receive ANY benefit
 - Job finding rate: 6.5%

Composition of the main characteristics (%)

	Treatment	Non-weighted Control	Weighted control
Gender			
Men	49.6	42.19	48.3
Women	50.4	57.81	51.7
Age			
< 30	16.27	20.13	14.1
30-44	45.73	39.32	50.5
> 44	37.99	40.55	35.4
Education			
Primary	59.82	32.7	61.3
Secondary	26.83	29.72	26.3
Tertiary	13.35	37.58	12.4
Unemployment duration			
< 3 months	12.29	33.73	11.5
3-6 months	7.04	10.8	6.2
6-12 months	11.03	11.98	11.3
1-2 years	17.42	13.55	18.8
> 2 years	52.21	29.94	52.1



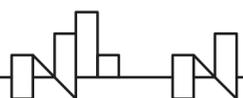
Evaluation 1: Impact of MIS on job finding rates

Evaluation results: Impact of the MIS on the probability of finding a job.

	IPW	AIPW
ATT	0.000135 (0.000823)	-0.000690 (0.000510)
Observations	724,141	724,141

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

- Monthly job finding probability for MIS beneficiaries would have been the same if they had not received any benefit.
- **MIS itself does not delay the job finding probability.**
- Observed differences in job finding rates between the treatment and the control group are solely due to the difference in the composition of both collectives and not caused by the effect of the policy.



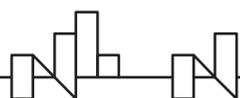
Evaluation 1: Impact of MIS on job finding rates by population subgroups

Evaluation results: Impact of the MIS on the probability of finding a job by collectives.

			IPW	AIPW	
Gender	Men	ATT	0.00308** (0.00120)	0.000745 (0.000835)	
		Obs.	324,751	324,751	
		Women	ATT	-0.00165** (0.000681)	-0.00190*** (0.000506)
		Obs.	399,393	399,390	
	Age	< 30	ATT	-0.0128*** (0.00124)	-0.0108*** (0.00109)
			Obs.	190,570	190,570
30-44			ATT	0.00343*** (0.00122)	0.00127 (0.000883)
		Obs.	272,115	272,115	
		> 44	ATT	0.00228** (0.00102)	0.00223*** (0.000598)
			Obs.	261,456	261,456
Education	Primary	ATT	-0.00144* (0.000804)	-0.00202*** (0.000592)	
		Obs.	371,111	371,111	
		Secondary	ATT	0.00368*** (0.00119)	0.00276*** (0.000895)
		Obs.	196,226	196,226	
		Tertiary	ATT	0.00641*** (0.00180)	0.00545*** (0.00129)
			Obs.	156,807	156,807

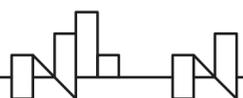
Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

- **MIS delays** entry into the labour market for **women, young and low educated unemployed**.
- **MIS accelerates** employment transitions for unemployed people **over 44 years and for beneficiaries with more than primary education**.



Evaluation 2: Impact of ALMP on job finding rates

- Treatment: receive the activation service at least once in the last six months including the current one.
 - Guidance: 39.4%
 - Training: 2.3%
 - No activation: 59.2% (despite being compulsory)
- Treated group: Unemployed MIS beneficiaries that receive the activation service.
- Control group: Unemployed MIS beneficiaries that did not receive ANY activation service in the last six months.



Evaluation 2: Impact of ALMP on job finding rates

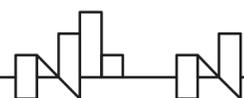
Evaluation results: Impact of the activation on the probability of finding a job.

	Guidance			Training		
	IPW	AIPW	PSM	IPW	AIPW	PSM
ATT	0.00543*** (0.000601)	0.00475*** (0.000453)	0.00760*** (0.000772)	0.0297*** (0.00233)	0.0258*** (0.00204)	0.0298*** (0.00292)
Observations	431,773	431,773	420,482	431,773	431,773	292,816

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

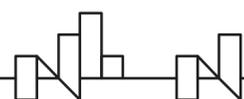
- Positive impact of both ALMP*
- Training is undoubtedly the one with highest impact in the probability of finding a job (increases by around 100%)

*No remarkable differences across population subgroups



Summary and conclusions

- MIS links passive and active policies: evaluation of both impacts.
- MIS beneficiaries: low educated (60%) and very long term unemployed (52%), the most important characteristics at the time of finding a job.
- Only around 40% of MIS beneficiaries participate in activation services.
- On average MIS do not delay entry into the labour market. Different impacts are found for population subgroups.
- All types of public services have a positive impact on job finding probability: most effective services are the training programmes, which double the probability of finding a new job for MIS beneficiaries.



Iceland
Liechtenstein
Norway grants

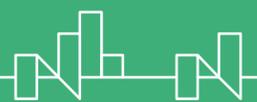
Norway
grants

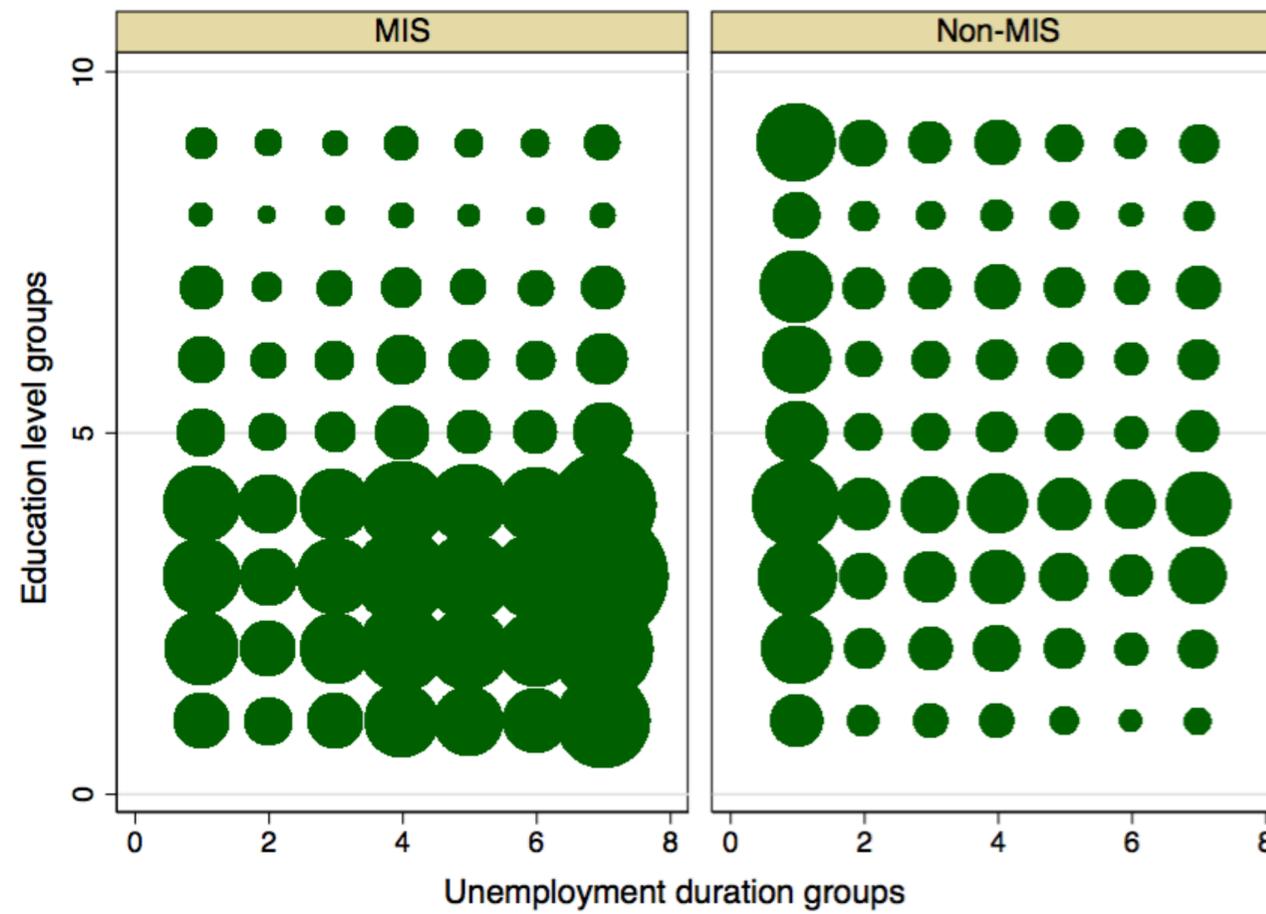
Thank you!

www.eeagrants.org
YouTube: EEANorwayGrants
Mail: info-fmo@efta.int



Annex



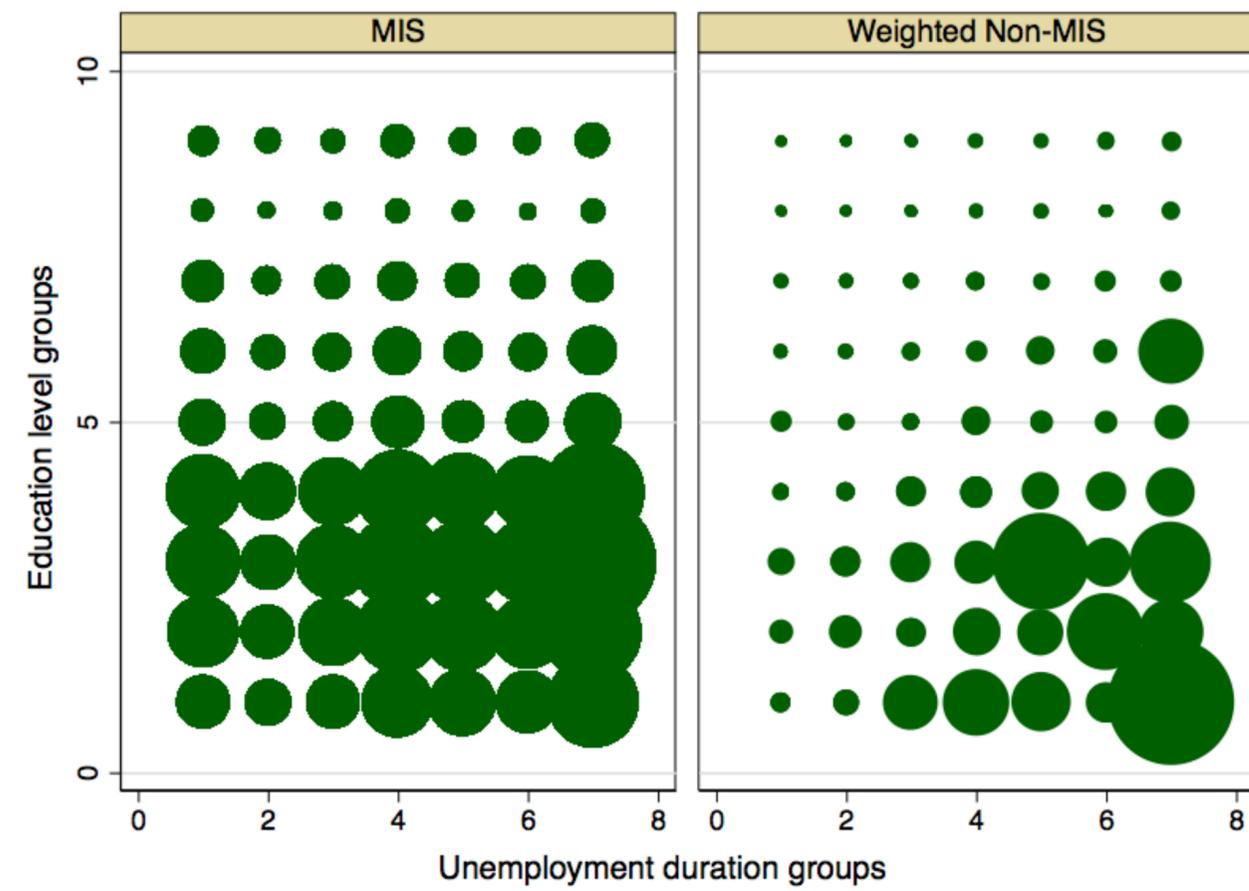


Before



Re-weighting

After



- Idea: pseudo-randomize the treatment
- All individuals are equally likely to be treated

