

CIFREM SEMINARS

A Comparative Evaluation of Regional, National and EU-Sponsored Business Incentives Policies

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Business incentive policies, over the past decades, have become popular tools to boost local economic development, employment and firm innovation outcomes, both in Italy and in the EU. Despite the increasing importance of these policies, as of today, a limited body of empirical evidence is available on their actual employment impact, retrieved against a credible counterfactual estimate. This paper exploits a firm-level data base of unusual richness, formed by merging longitudinal employment and firm demographic information with the firm-level archives of all incentive payments performed by each of the many different (national, regional and EU co-sponsored) business incentive programs assisting firms located in a large Northern Italian region. The analysis developed in the paper yield the employment impacts of the policies under plausible identification assumptions, disentangling the employment impacts of different values of both the economic intensities of the program assistance and different forms of assistance (the latter distinguishing between capital grants and below-market interest rate/revolving loans).