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Article

Special Issue on Impact Evaluation of Public Policies - 2019

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PRESENTATION

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Guest editors:

José M. Arranz (Universidad de Alcalá) and Carlos García-Serrano (Universidad de Alcalá).

As an area of economic research, Public Economics has enlarged during the last decades, encompassing new strands of study. At the same time, there have been important changes in relation to the methodology implemented in the analyses. The availability of new and better-designed databases has also played a role in this methodological development. Moreover, governments have designed public policies to obtain certain goals and objectives in the society and the economy at large. The need to understand whether such policies work, as well as the level and nature of impacts on intended beneficiaries, are main concerns to national and regional governments and international organizations such as EU, OECD, World Bank, IMF, etc. Thus, it seems necessary to carry out periodic evaluations in order to verify the effectiveness of the measures and programmes implemented. For this reason as well the use of quantitative impact estimation methods to assess the causal effects of public interventions has expanded rapidly over the past two decades in the literature.

Methods to estimate impacts fall into two strategies: experimental or non-experimental methods. Randomized or experimental selection methods can be often derived running lotteries (that decide who enters a program at a given time and who does not) with a fair and transparent rule representing the strongest method for evaluating a program. Randomized selection methods can also derive from a programme's operational rules when the population of intended participants is larger than the number of participants that the programme can accommodate at a given time. In that situation there are two variations on randomized assignment: randomized offering of treatment and randomized promotion of treatment. Within the non-experimental design, there are different methods to identify the control group and to adjust for differences between treated participants and the control group, such as propensity score matching, difference-in-difference, regression discontinuity, instrumental variables, etc. Moreover, data

quality is one of the most important factor affecting the quality of impact evaluations. In practice, the nature of the data (surveys, administrative datasets, etc.) determines the impact evaluation technique.

Given these developments, it seems natural to try and provide an opportunity to bring together relevant research work in the field of “Impact Evaluation of Public Policies” in order to contribute to the diffusion of results on specific topics that may include quantitative impact estimation methods (experimental and non-experimental design) using surveys or administrative datasets. This was the initial aim of this special issue. The central aim of all the articles included in the special issue is to evaluate the effects of public policies. The topics touched by the authors belong to areas such as active and passive labour market policies, taxes and energy. We expect that these impact evaluation studies help to advise policy makers in decision making as well as to define their priorities.

The article by Begoña Cueto and Fermín López Rodríguez (‘The apprenticeship contract in Spain: An evaluation’) belongs to the area of active labour market policies. Considering the number of changes made to the training and apprenticeship contract in the last decade, very few evaluations of its effectiveness have been carried out, so their work stands out as one of the rare impact assessments which provide evidence on the results of the use of this type of contract for hiring workers in Spain. Their evaluation is based on data coming from a large administrative dataset referring to contracts and social security records, the so-called ‘Continuous Sample of Working Lives’ (Muestra Continua de Vidas Laborales, MCVL), that contains longitudinal information on a representative sample of the population with any type of relationship with the social security. The availability of this sort of data allows them to focus on a period of several years of the workers’ career and to analyse several transitions. They analyse the causal impact of having entered the labour market through a training and apprenticeship contract on either the transition to a permanent contract or the employment status of eligible workers after several years. The authors use propensity score matching (PSM) techniques, for which they define treatment and control groups, to examine the labour market outcomes for young workers. They focus their evaluation analysis on the 2011 reform of the contract using data for the 2011-2015 period. To evaluate the effectiveness of the contract, the authors use not only one but several variables related to labour outcomes.

Ignacio Moral-Arce, Javier Martín-Román and Ángel L. Martín-Román ('Cessation of activity benefit for Spanish self-employed workers: A heterogeneous impact evaluation') focus their attention on the specific system of protection due to cessation of activity of self-employed workers, in particular on the effects on duration concerning spells of non-employment of Spanish self-employed workers who receive cessation of activity benefits. This is the first impact evaluation of this programme for Spain and of a similar programme in Europe. They search for evidence showing opportunistic behavior among the beneficiaries of this benefit, i.e. whether self-employed workers entitled to receive this type of benefit prolong their non-employment spells as a consequence of adverse selection and moral hazard. As the Spanish system contains simultaneously self-employed workers entitled to receive the cessation of activity benefits together with self-employed workers without that entitlement, this feature allows the authors to make use of impact evaluation techniques with a group of treatment and a group of control. In the same way as the previous article, the authors of this study use the MCVL longitudinal data and PSM techniques. They not only estimate the average impact of public intervention, but also the heterogeneous effects as a consequence of the different likelihood of being treated.

Carlos Díaz-Caro and Jorge Onrubia ('How did the 'dualization' of the Spanish income tax affect horizontal equity? Assessing its impact using copula functions') contribute to the literature by comparing the horizontal inequality caused by the introduction in Spain in 2007 of a (semi-) dual income tax system with the horizontal inequality generated by the previous design applied until 2006, closer to a synthetic income tax system. For this purpose, they adopt the copula-functions based framework to measure horizontal inequality, but using the parametric approach proposed by Bø, Lambert and Thoresen to estimate Clayton, Frank and Gumbel copulas, belonging to the Archimedean class. For the empirical analysis, the authors use microdata coming from the 'Spanish Personal Income Tax Return Panel' developed by the Institute of Fiscal Studies of the Ministry of Finance and Public Administration of Spain over the period 2004 to 2010.

Ester Martínez-Ros and Rasi Kunapatarawong ('The impact of innovation and green fiscal incentives on employment in Spain') focus on two tax schemes, that are environmental investment tax credit and research and development and technological innovation tax credit, and their potential effects on employment. While there is substantial empirical research studying impacts of R&D subsidies and R&D tax incentives on private R&D investments, this study is the first to empirically explore the relationship

between the two types of tax incentives on the employment level of different firms. The authors use a corporate tax records dataset for the year 2008 from the Spanish Institute of Fiscal Studies and the 'Sistema de Análisis de Balances Ibéricos' database for 2008-2010. They regress the natural logarithm of the number of employees on the tax credit dummies and assume that firms use both incentives in different manner when they fix their competitive strategies, also controlling for a set of firm attributes.

Finally, José Ignacio García-Pérez and Josep Mestres-Domènech ('The impact of the 2012 Spanish labour market reform on unemployment inflows and outflows: A regression discontinuity analysis using duration models') contribute to the 'Policy Watch' section. The objective of their paper is to study the effects of the 2012 Spanish labour market reform on the probability of exiting both unemployment and employment using duration models. They implement this policy evaluation exercise by estimating a discrete time duration model for the exit rates from unemployment to employment and from employment to unemployment. The authors focus their attention on these flow probabilities because they capture in a much better way the evolution of the labour market and provide more insight than analyses of the stock of employment and/or unemployment. They use information on a large sample of employed and unemployed workers (coming from the MCVL dataset) for the period 2003-2014 and apply a discontinuity design identification strategy. Then, they try to identify the time change in the probability of exiting both unemployment and employment that can be attributed to the effect of the labour market reform adopted in February 2012.