

**Government grants and labour demand:
A micro-econometric analysis***

Sourafel Girma

University of Leicester

Holger Görg

University of Nottingham

Eric Strobl

CORE, Université catholique de Louvain

In this paper we analyse the impact of governmental grant provision on plant's labour demand. To this end we utilise rich information derived from three data sources for the manufacturing sector in Ireland, where grant provision has been an important part of the industrial policy. We use a matching technique combined with a difference-in-differences estimator in the empirical analysis. Our results indicate that particularly capital, technology and research related, but also other types of, grants can provide an important impetus to plant's labour demand. They thus provide some evidence of the effectiveness of industrial policy in creating jobs.

JEL classifications: J2, L2, H2

Keywords: government assistance, grants, employment, survival, matching, difference-in-differences

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