Social Assistance Experiment Groningen: behavioural aspects

Arjen Edzes
Richard Rijnks
Viktor Venhorst

University of Groningen, Department of Economic Geography,
PO Box 800, 9700 AV Groningen
Who are they?
Who are they?

The winners of the Sveriges Riksbank Prize in Economic Sciences in memory of Alfred Nobel 2019

Abhijit Banerjee

Esther Duflo

Michael Kremer
What for?

For their experimental approach to alleviating global poverty

In brief, it involves dividing this issue into smaller, more manageable questions.

They have shown that these smaller, more precise questions are often best answered via carefully designed experiments among the people who are most affected.

And exactly that is what we are doing in the Netherlands.
Content

1. Classical debate in welfare states
2. History of experiments in The Netherlands
3. Design of the experiment in Groningen
4. Some preliminary results on the secondary outcomes
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Classical debate around human behaviour

Two human images:

- Economic image: people are innately lazy and need to be disciplined by rules and obligations (based on distrust).
- Social image: people are innately oriented at contributing if it adds value to themselves and society (based on trust).
- Creating a more balanced view on how people can be motivated
Classical debate around welfare states

<table>
<thead>
<tr>
<th>Non-trust regimes</th>
<th>Trust regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Emphasis on enforcement</td>
<td>- Emphasis on own responsibility</td>
</tr>
<tr>
<td>- Conditionalities</td>
<td>- Unconditional</td>
</tr>
<tr>
<td>- Stick and carrot</td>
<td>- Nudging?</td>
</tr>
<tr>
<td>- Extrinsic incentives</td>
<td>- Intrinsic incentives</td>
</tr>
</tbody>
</table>
What can we learn from behavioral sciences?

- Scarcity and poverty stress affect people’s mindset  
  (Mullainathan & Shafir, 2013; Mani et al., 2013)

- Crowding out of intrinsic motivation  
  (Deci, 1971; Frey & Jegen, 2001)

- Reciprocity and fairness concerns  
  (Fehr & Schmidt, 2000; Thaler, 1980)

- Capabilities  
  (Sen, 2004)
Context:
Social (values; trust)
Economic (labor market)
Paticipation Act

Intention:
Satisfaction with treatment
Motivation
Financial stress
Beliefs/perceptions
Social-Institutional trust

Ability-background:
Education
Age-experience
Income
Skills
Work history
Household

Actual control
Opportunities (capabilities)

Search and participation behaviour

Outcomes
Paid work
Self-management
Social participation
Wellbeing
Health
Content

1. Classical debate in welfare states
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Welfare in the Netherlands (1)

1. Participation Law (Social Assistance) guarantees a minimum income for everyone who is living legally in the Netherlands and has insufficient means to maintain themselves.

2. Effectuation Social assistance is since 2004 decentralized to 380 municipalities

3. Means for income assistance and re-integration are budgeted

4. Administration is decentralized but not the policy discretion
Background Welfare in the Netherlands (2)

1. Provided to households. (€ 992 for Singles, € 1417,- for Couples)
2. Conditional Basic Income? Important conditions
   1. Job search obligations
   2. Restrictions on earning
3. Local (left wing) governments want to experiment with conditions
Social Assistance Density per 1000 inhabitants, June 2018

Groningen

Social Assistance Recipients as a share of potential labour force, 1998 – 2018
Background: Crisis 2008-2016; strong increase in SA benefits

Table 1: Evolution of social assistance benefits to people at working age, January 2011-January 2016
Yearly exit probability into paid work, 2017 (CBS figures 2018)

- Wageningen
- Tilburg
- Oss
- Epe
- Apeldoorn
- Amsterdam
- Utrecht (PV)
- Groningen (PV)
- Nederland
Plan launched early 2015

• Experimenting on a new way of activating unemployed: from a ‘stick and carrot’ approach (distrust) to supporting and rewarding people (trust); a social investment or capacitating approach

• Six art. 83 cities: Tilburg, Groningen, Deventer, Nijmegen, Wageningen and Utrecht

• 40 other cities in 2017 interested but 5 cities now not using (experimentation article 83 Participation Law) but using the room within the Law:

• Apeldoorn, Epe, Oss, Mierlo-Geldrop and recently Amsterdam
National Administrative decree

1. Experiments are possible by National Administrative decree. For a two-year period (October 2017 – October 2019)

2. Interventions (and conditions):
   1) Exemption for re-integration obligations (but: effort check after 6 months)
   2) Intensification of client contacts / re-integration
   3) Broadening possibilities for earning whilst on benefits (max € 199.00)
   4) Combinations (but not 1 and 2 in same group)
   5) If 1 is on offer then also 2 must be on offer

3. Scientific evaluation
   1) Scientific framework
   2) Randomized Controlled Trial, control group, reference group
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Experimental Groups in Groningen

**Treatment 1: Exemption**
- No compliance requirements & benefit sanctions
- Autonomy with regards to reintegration activities

**Treatment 2: Intensive support**
- Tailormade supervision and intensive mediation
- Approx. twice as much contact moments

**Treatment 3: Earnings release**
- Earnings on top of benefits are released more generously
- Keep 50% of income up to 202€/month

**Treatment 4: CHOICE**
- Group may choose between treatments 1, 2 and 3

**Control**
- No changes; status quo regime
Evaluation Framework

1. Cooperation between universities and municipalities
   • Report to: Ministry of Social Affairs

2. Same base evaluation questionnaire


4. Administrative monitoring via registry data Statistics Netherlands and municipal registries
### Huge National Experiment

<table>
<thead>
<tr>
<th>Municipalities</th>
<th>RCT Exp</th>
<th>Population</th>
<th>Target population</th>
<th>Application</th>
<th>Realisation</th>
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<tbody>
<tr>
<td>Article 83</td>
<td></td>
<td></td>
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<td>8200</td>
<td>6000</td>
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<td>1000</td>
<td>553</td>
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<td>12500</td>
<td>8100</td>
<td>900</td>
<td>780</td>
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<tr>
<td>Nijmegen</td>
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<td>8000</td>
<td>5000</td>
<td>400</td>
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<td><strong>31761</strong></td>
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<td><strong>3496</strong></td>
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<td>Outside AMvB</td>
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<tr>
<td>Apeldoorn-Epe</td>
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<td>4300</td>
<td>3425</td>
<td>540</td>
<td>495</td>
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<tr>
<td>Oss</td>
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<td>2225</td>
<td>1500</td>
<td>300</td>
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<td>42000</td>
<td>42000</td>
<td>2000</td>
<td>2000</td>
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<td><strong>46925</strong></td>
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<td><strong>92142</strong></td>
<td><strong>78686</strong></td>
<td><strong>6940</strong></td>
<td><strong>6291</strong></td>
</tr>
</tbody>
</table>
The Groningen experiment RCT Respons (1.11.2017)

Total population / Social Assistance cliënt Sept 1 2017

- Target Group: n = 8,744
- Reference group: n = 150

Randomization

- Exemption: n = 1,719
- Intensification: n = 1,719
- Extra earnings: n = 1,719
- Choice: n = 1,719
- Control: n = 1,718

Willingness to participate?

- No: 1,536
- Yes: 183
- No: 1,575
- Yes: 144
- No: 1,566
- Yes: 153
- No: 1,53
- Yes: 153
- No: 1496
- Yes: 222

The Groningen experiment RCT Respons (1.11.2017)
So, who wants what?

<table>
<thead>
<tr>
<th>Group</th>
<th>Intercept</th>
<th>Dutch Born</th>
<th>Education (mid)</th>
<th>Education (high)</th>
<th>Male</th>
<th>Age (years)</th>
<th>Hours worked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exemption</td>
<td>0.615+</td>
<td>-0.455*</td>
<td>0.320</td>
<td>0.040</td>
<td>0.402*</td>
<td>-0.021*</td>
<td>0.000</td>
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<tr>
<td>Intensive supervision</td>
<td>0.570</td>
<td>-0.240</td>
<td>-0.300</td>
<td>-0.050</td>
<td>0.310</td>
<td>-0.020+</td>
<td>-0.010</td>
</tr>
<tr>
<td>Earnings release</td>
<td>0.120</td>
<td>-0.210</td>
<td>-0.030</td>
<td>0.300</td>
<td>0.180</td>
<td>-0.010</td>
<td>0.009*</td>
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<td>Choice Exempt.</td>
<td>-0.250</td>
<td>0.460</td>
<td>0.040</td>
<td>0.480</td>
<td>-0.030</td>
<td>-0.028*</td>
<td>-0.010</td>
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<td>Choice Intens.</td>
<td>0.140</td>
<td>-0.080</td>
<td>-0.200</td>
<td>-0.000</td>
<td>0.210</td>
<td>-0.029*</td>
<td>-0.020</td>
</tr>
<tr>
<td>Choice Earnings</td>
<td>-0.620</td>
<td>0.240</td>
<td>0.330</td>
<td>0.340</td>
<td>-0.140</td>
<td>-0.020</td>
<td>0.012***</td>
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<tr>
<td>Reference</td>
<td>0.520</td>
<td>0.250</td>
<td>-0.567*</td>
<td>-1.054***</td>
<td>0.270</td>
<td>-0.020+</td>
<td>0.000</td>
</tr>
</tbody>
</table>
Content

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## Changes to trust

<table>
<thead>
<tr>
<th></th>
<th>NATIONAL</th>
<th>MUNICIPAL</th>
<th>WORK AND INCOME</th>
<th>OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1: Exemption</td>
<td>-0.2044</td>
<td>0.0077</td>
<td>0.2335</td>
<td>0.3127</td>
</tr>
<tr>
<td>T2: Intensive support</td>
<td>-0.1211</td>
<td>0.2870</td>
<td>0.4380+</td>
<td>0.7322***</td>
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<tr>
<td>T3: Earnings release</td>
<td>0.0118</td>
<td>-0.2294</td>
<td>-0.0884</td>
<td>0.4583*</td>
</tr>
<tr>
<td>T1: Exemption:Choice</td>
<td>0.2602</td>
<td>-0.4620</td>
<td>-0.1759</td>
<td>0.6732*</td>
</tr>
<tr>
<td>T2: Intensive support:Choice</td>
<td>0.6831</td>
<td>-0.8399</td>
<td>-0.7080</td>
<td>0.1627</td>
</tr>
<tr>
<td>Choice</td>
<td>-0.2634</td>
<td>0.3103</td>
<td>-0.0053</td>
<td>-0.4264</td>
</tr>
<tr>
<td>Male</td>
<td>-0.1288</td>
<td>-0.0308</td>
<td>-0.1285</td>
<td>-0.2269*</td>
</tr>
<tr>
<td>Education (mid)</td>
<td>0.0311</td>
<td>0.3975+</td>
<td>-0.0456</td>
<td>0.0238</td>
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<tr>
<td>Education (high)</td>
<td>0.0363</td>
<td>0.2654</td>
<td>0.0468</td>
<td>-0.0993</td>
</tr>
<tr>
<td>Dutch born</td>
<td>-0.0239</td>
<td>-0.1255</td>
<td>-0.1457</td>
<td>0.3374*</td>
</tr>
</tbody>
</table>

* +: <0.10
* *: <0.05
* **: <0.01
* ***: <0.005
Changes to secondary outcomes

<table>
<thead>
<tr>
<th></th>
<th>HEALTH</th>
<th>LIFE SATISF</th>
<th>PART OF SOCIETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1: Exemption</td>
<td>0.0960</td>
<td>-0.2780</td>
<td>-0.1289</td>
</tr>
<tr>
<td>T2: Intensive support</td>
<td>-0.1744</td>
<td>0.0778</td>
<td>0.3744*</td>
</tr>
<tr>
<td>T3: Earnings release</td>
<td>-0.0657</td>
<td>-0.3073</td>
<td>0.1490</td>
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<tr>
<td>T1: Exemption:Choice</td>
<td>-0.4406</td>
<td>0.3476</td>
<td>0.5951</td>
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<tr>
<td>T2: Intensive support:Choice</td>
<td>-0.0706</td>
<td>0.1332</td>
<td>0.4000</td>
</tr>
<tr>
<td>Choice</td>
<td>0.3674</td>
<td>-0.1187</td>
<td>-0.5556*</td>
</tr>
<tr>
<td>Dutch born</td>
<td>0.1755</td>
<td>0.0386</td>
<td>0.1875</td>
</tr>
<tr>
<td>Male</td>
<td>0.1469</td>
<td>0.2971*</td>
<td>-0.0020</td>
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<tr>
<td>Education (mid)</td>
<td>-0.0547</td>
<td>0.1289</td>
<td>-0.5864***</td>
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<td>Education (high)</td>
<td>0.0082</td>
<td>0.0520</td>
<td>-0.2874*</td>
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</tbody>
</table>

+  $<0.10$  
*  $<0.05$  
**  $<0.01$  
***  $<0.005$
## Changes to labour market behaviour

<table>
<thead>
<tr>
<th></th>
<th>FIT TO WORK</th>
<th>LOOKING FOR WORK</th>
<th>APPLYING FOR WORK</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>T1: Exemption</strong></td>
<td>-0.1552</td>
<td>0.2558</td>
<td>0.1273</td>
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<tr>
<td><strong>T2: Intensive support</strong></td>
<td>-0.0809</td>
<td>1.0695***</td>
<td>0.4277</td>
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<tr>
<td><strong>T3: Earnings release</strong></td>
<td>-0.2888</td>
<td>0.6337+</td>
<td>0.7071*</td>
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</tr>
<tr>
<td><strong>T1: Exemption:Choice</strong></td>
<td>0.0734</td>
<td>-0.1463</td>
<td>-0.0336</td>
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<tr>
<td><strong>Choice</strong></td>
<td>-0.1778</td>
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<tr>
<td><strong>Dutch born</strong></td>
<td>-0.0449</td>
<td>-0.6122*</td>
<td>-0.4800+</td>
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<tr>
<td><strong>Male</strong></td>
<td>0.1586</td>
<td>-0.1847</td>
<td>-0.1099</td>
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<tr>
<td><strong>Education (mid)</strong></td>
<td>0.1700</td>
<td>-0.5690*</td>
<td>-0.6408*</td>
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<tr>
<td><strong>Education (high)</strong></td>
<td>0.0837</td>
<td>-0.2582</td>
<td>-0.3921</td>
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<tr>
<td><strong>Has new job</strong></td>
<td>0.3627*</td>
<td>-0.3840</td>
<td>-0.6439*</td>
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</tr>
</tbody>
</table>

*Significance levels: + <0.10, * <0.05, ** <0.01, *** <0.005
Conclusion and discussion

1. First preliminary results look promising, although effects are small
2. Intensive support and earnings release associated with trust in others
3. Intensive support stimulates individuals to spend more time looking for work
4. Earnings release increases the amount of time applying for jobs
Thank you for your attention

r.h.rijnks@rug.nl
a.j.e.edzes@rug.nl
v.a.venhorst@rug.nl
Paradigm shift in social welfare

1. Despite low unemployment, most EU countries have high levels of welfare dependency
2. Shift from deregulation and cost containment policies since mid 1990s to pro-active, social investment or capacitating policies
3. From ‘making work pay’ and workfare policies to investment in capabilities and creating opportunities, ‘make transitions pay’ and inclusive society
Paradigm shift in social welfare (3)

1. Support to the social image and the role of values as autonomy, reciprocity and trust
2. Rewarding might under certain conditions work better to influence behaviour than punishment
3. Reflects modern psychological ideas on self-efficacy, resilience, self-management, wellbeing and positive health.

Hypothesis
A social approach works better to induce positive behaviour