Social Assistance Experiment Groningen

Trust and freedom to choose in activating labour market participation

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Content

1. Paradigm shift in social welfare - Hypothesis
2. Background and design of the experiment
3. Modelling
4. Results
5. Discussion
Paradigm shift in social welfare

Despite low unemployment, most EU countries have high levels of welfare dependency

<table>
<thead>
<tr>
<th>Economic image:</th>
<th>Social image:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Economic image: people are innately lazy and need to be disciplined by rules and obligations (based on distrust).</td>
<td></td>
</tr>
<tr>
<td>- Non-trust regime: emphasis on enforcement</td>
<td></td>
</tr>
<tr>
<td>- Extrinsic incentives</td>
<td></td>
</tr>
<tr>
<td>- Social image: people are innately oriented at contributing if it adds value to themselves and society (based on trust).</td>
<td></td>
</tr>
<tr>
<td>- Trust-regime: emphasis on own responsibility and freedom</td>
<td></td>
</tr>
<tr>
<td>- Intrinsic incentives</td>
<td></td>
</tr>
</tbody>
</table>
Paradigm shift in social welfare (2)
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)
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
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Social Assistance in the Netherlands

- Lowest social security layer
- Means-tested benefit
- €992 for Singles, €1417,- for Couples
- Job search requirements and sanctions

National government
Establishing legal framework

Municipalities
Executing the scheme
Why experiment

2. Structural: Effects of globalization and ICT/digitalization
3. Institutional: Dissatisfaction at local level with discretionary power
Evaluation Framework

1. Cooperation between universities and cities
2. Experiments set up as a Randomized Controlled Trial with current social assistance recipients
3. For a two-year period (October 2017 – October 2019)
4. Same base evaluation questionnaire
5. Groningen: three moments of measurement (every year: 2017, 2018, 2019)
6. Administrative monitoring via registry data Statistics Netherlands and municipal registries
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
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Pré – and post analysis

Controls
- Age
- Gender
- Education
- Ethnicity

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

Treatment 2: Intensive support
- Tailored 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 2020/month

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

Control
- No changes, status quo regime

Trust

Fit to work

Health

Looking for work

Life Satisfaction

Applying for work

Part of society
First results
(To what extent do you now find that most people can be trusted or that you are not can be careful enough in contact with others? Scale of 1-10)
First results

How much trust you have in ...) Five points lickert-scale
First results

How much trust you have in ...) Five points lickert-scale
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# Changes to trust (ordered logistic regressions)

<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>*<em>0.4380</em></td>
<td><strong>0.7322</strong>*</td>
</tr>
<tr>
<td>T3: Earnings release</td>
<td>0.0118</td>
<td>-0.2294</td>
<td>-0.0884</td>
<td>*<em>0.4583</em></td>
</tr>
<tr>
<td>T1: Exemption:Choice</td>
<td>0.2602</td>
<td>-0.4620</td>
<td>-0.1759</td>
<td>*<em>0.6732</em></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>*<em>0.2269</em></td>
</tr>
<tr>
<td>Education (mid)</td>
<td>0.0311</td>
<td>0.3975*</td>
<td>-0.0456</td>
<td>0.0238</td>
</tr>
<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>*<em>0.3374</em></td>
</tr>
</tbody>
</table>

* <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>
</tr>
<tr>
<td>T1: Exemption:Choice</td>
<td>-0.4406</td>
<td>0.3476</td>
<td>0.5951</td>
</tr>
<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>
</tr>
<tr>
<td>Education (mid)</td>
<td>-0.0547</td>
<td>0.1289</td>
<td>-0.5864***</td>
</tr>
<tr>
<td>Education (high)</td>
<td>0.0082</td>
<td>0.0520</td>
<td>-0.2874*</td>
</tr>
</tbody>
</table>
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>
</tr>
</thead>
<tbody>
<tr>
<td>T1: Exemption</td>
<td>-0.1552</td>
<td>0.2558</td>
<td>0.1273</td>
</tr>
<tr>
<td>T2: Intensive support</td>
<td>-0.0809</td>
<td>1.0695***</td>
<td>0.4277</td>
</tr>
<tr>
<td>T3: Earnings release</td>
<td>-0.2888</td>
<td>0.6337+</td>
<td>0.7071*</td>
</tr>
<tr>
<td>T1: Exemption:Choice</td>
<td>0.0734</td>
<td>-0.1463</td>
<td>-0.0336</td>
</tr>
<tr>
<td>Choice</td>
<td>-0.1778</td>
<td>-0.0690</td>
<td>-0.4483</td>
</tr>
<tr>
<td>Dutch born</td>
<td>-0.0449</td>
<td>-0.6122*</td>
<td>-0.4800+</td>
</tr>
<tr>
<td>Male</td>
<td>0.1586</td>
<td>-0.1847</td>
<td>-0.1099</td>
</tr>
<tr>
<td>Education (mid)</td>
<td>0.1700</td>
<td>-0.5690*</td>
<td>-0.6408*</td>
</tr>
<tr>
<td>Education (high)</td>
<td>0.0837</td>
<td>-0.2582</td>
<td>-0.3921</td>
</tr>
<tr>
<td>Has new job</td>
<td>0.3627*</td>
<td>-0.3840</td>
<td>-0.6439*</td>
</tr>
</tbody>
</table>

+ <0.10  
* <0.05  
** <0.01  
*** <0.005
Preliminary conclusions (after 1 year)

1. First preliminary results look promising, however effects are small

2. Intensive support and earnings release increases trust in others, it slightly changes the trust in the department of Work and Income

3. Intensive support also improves the participation in society, the element of choice diminishes this feeling

4. Intensive support stimulates that people are looking for a job. More earnings release stimulates that people actually apply for a job.
Thank you for your attention

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