

# Rethinking social welfare in an era of rapid technological change: some evidence on the labor market and wellbeing effects of Dutch RCT-experiments with a form of “Participation Income” in the Netherlands

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After the launch of the Participation Act in 2015, various municipalities raised concerns about the effectiveness of the law, both in labor market terms and with a view to the implementation costs (due to non-compliance). Eight of them then initiated two-year long RCT (random control trial)-experiments in social welfare. Between October 1, 2017 and December 31 2019 six of these experiments (Tilburg, Wageningen, Groningen, Utrecht, Nijmegen and Deventer) were held under the “Temporary Decree of Experiments in the Participation Act” (Ministry of Social Affairs and Employment, 2017) while two municipalities (Apeldoorn, Oss) used the existing room in the Participation Act. All experiments have interventions that can be described as 1. “more self-management and reduced conditionality, 2. more intensified and tailored support and 3. more rewarding of additional earnings”. These interventions are next compared with “care as usual”, the regular ‘workfare’ oriented treatment people on welfare get.

## ***Research questions***

Sponsored research conducted by various universities for the municipalities has focused on the question whether this experimental approach is more effective with respect to labor market reintegration and social participation than the current approach that is sometimes delineated as the ‘carrot and stick’ or workfare approach which is rather strict and obligatory in terms of monitoring and control of people’s job search behavior. The municipalities expected that the more relaxed, tailored and rewarding way of treatment (reduced conditionality) will improve its effectiveness, but also the motivation, health and well-being of the participants. The data the experiment researchers collect will also form input for a Horizon 2020 research project on the consequences of technical change, named Technequality, and coordinated by ROA/Maastricht University. The basic idea is that these experiments can form input of a rethinking of the foundations of our current welfare system.

## ***Rethinking social welfare (H2020 – Technequality)***

The technological revolution may require that we reconceptualise traditional views on our social welfare system. Welfare is a social contract: workers who lost their job or never had one may count on it to soften the consequences of unemployment, under the assumption that they are able to re-enter the labour market and become productive whenever they can. The social contract assumes that workers can be taught skills they need to be productive in these jobs, and that workers can sell their skills at the market price in competition with other workers. Current technological innovations (automation, robotisation, digitization, AI, big data) may require us to rethink these assumptions. The available studies disagree on the extent by which the number of jobs will be destructed or new jobs will be created.

Notably at lower skill levels this may lead to structural unemployment and a 'race to the bottom' with respect to wages because of which in-work poverty might rise. Reskilling may not be an option for everyone. If potential workers cannot be reskilled, or there are no jobs, they will not be able to abide by the social contract. For this reason, there is an ongoing debate on the reconceptualization of the contract and the provision of a participation (PI) or basic income (BI) notably for people with low skills or skills which are more likely to be automated. By experimentally researching the employability and wellbeing effects of a particular form of participation income as experimented recently in eight cities in the Netherlands, the debate about renewing the social contract that underlies social welfare may be fuelled with some more evidence<sup>[1]</sup>.

### ***The methodology***

Between October 1, 2017 and 31 December 2019, these eight RCT-experiments surveyed participants at three occasions over the two years on their job search behaviour, health and wellbeing. The survey data are next linked to administrative data at the CBS allowing to view the labor market histories and future careers as well as the earnings and type of jobs they occupy after the experiment.

The (longitudinal) treatment effects for over a period of 2 years are compared with the effects for the non-treated control group. The first analyses were completed in June 2020. A treatment approach has been adopted, estimated with simple linear probability regression models (OLS and Logistic Regression models) controlling for the initial state at  $t=0$  and for a number of variables like ethnicity, sex, age and age squared, welfare spell duration, number of times in welfare, household composition and housing situation.

### ***Findings***

We report in this seminar on the first preliminary results of these local experiments in the five cities using the participant surveys and the administrative municipality and CBS data. For future research by examining the careers of the people on welfare we will acquire some more knowledge on the barriers they face and the role technological change plays in the level and quality of matching of participants to jobs and the impact that has on labor market inequality.

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<sup>[1]</sup> The text in this section is extracted from the Horizon 2020 Technequality proposal for Workpackage 4 coordinated by ROA/Maastricht University. The experimental data will be used to provide evidence on the labor market and wellbeing consequences of technical change at the lower end of the labor market.