# Active labour market policies for non-Western migrants in the Netherlands: Assessing the relationship between outflow, enrolment in ALMPs, and non-Western migrants

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**Abstract**

The use of active labour market policies (ALMPs) is a common approach in Europe to reintegrate the unemployed back into the labour market. But the effectiveness of these ALMPs is unestablished, as previous research contributes either failure or success to factors such as strategy, implementation, and continuity. An additional factor is the presence of non-Western migrants, as non-Western migrants are believed to have a greater distance to the labour market, which affects their performance on the labour market. In the Netherlands, municipalities are responsible for their own ALMP strategy. This thesis aims to find the relationship between enrolment in ALMPs and outflow of the social assistance benefit to work, for both the general population and specifically for non-Western migrants, per municipality. A fixed-effects regression for the years 2015 to 2017 in the Netherlands, that controls for unobservable differences between municipalities, show that increased enrolment in ALMPs has no significant effect on the outflow to work. An interaction effect between share of non-Western migrants in a municipality and the enrolment in ALMPs also has no significant effect on the outflow to work. This means that the effectiveness of ALMPs is weak and inelastic, both for the general population and non-Western migrants. Small changes on the short term per municipality in either number of residents, fraction of the social assistance benefit recipients that are enrolled in an ALMP, and the share of non-Western migrants, do not impact outflow to work.

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# Introduction

In his critical reflection on the Dutch welfare state, van Oorschot (2006) branded migration as one of the greatest future challenges for the Dutch welfare state. The Dutch welfare system, including the social assistance benefit, was at that time not 'migrant-proof', according to van Oorschot (2006), and the Dutch welfare eligibility needed to be tightened to make the Dutch welfare system less attractive for new migrants. Van Oorschot is not alone in his concerns about the pressure increased migration puts on welfare systems. Gaston and Rajaguru (2013) used public expenditures on the welfare state as a measurement of pressure put on welfare policies. They found a moderate effect of an increased inflow of migrants on the welfare state but stated that instead of less public expenditures on the welfare state, an increased inflow of migrants caused more public expenditures on the welfare state. Expansion of the welfare state as a result of an increased inflow of migrants is also the conclusion drawn by Fenwick (2019).

However, increased spending on the welfare state says nothing about the pressure migrants might or might not put on the welfare state. One of the pillars of the Dutch welfare state is the social assistance benefit, a benefit that is granted to unemployed individuals as protection from poverty. In January of 2020, 469.850 individuals received social assistance benefits in the Netherlands. That number increased up to 486.000 in December of that same year. 174.000 of these social assistance recipients have a Dutch background, as opposed to 312.000 with a migration background (with 262.000 from non-Western countries) (Statistics Netherlands, 2021). Surely, these numbers can be explained and interpreted in multiple ways. However, that is not the primary goal of this thesis. Instead of concentrating on spending on the welfare state, the focus will be on the outflow of social assistance benefits through active labour market policies.

Active labour market policies (ALMPs) have become a much-discussed subject in the field of public administration since the 1990s (Escudero V. , 2018). Governments can intervene in the labour market to lower unemployment. By implementing a wide array of policies that 'activate' those who are not active in the labour market yet, a government aims to harmonize demand and supply on the labour market (Efendioğlu, Auer, & Leschke, 2005, p. 9). Active labour market policies are here defined as either work or training activities that are aimed at

and offered to those who are unemployed, in which the unemployed partake either voluntarily or obligatory. The goal of these active policies is to re-integrate the unemployed into the labour market (Efendioğlu, Auer, & Leschke, 2005). If this goal is reached to the extent that a government aims for, the policies can be labelled as effective. If such a goal is reached at the lowest possible costs, the policies can also be characterized as efficient. This broad theoretical definition encompasses a range of instruments that are aimed at individual development or a more practical approach to job placement. Instruments such as classroom training focus more on individual development, whereas wage subsidies and publicly created employment prioritize fast job placement (Card, Kluve, & Weber, 2018). Of course, less dependence on the social assistance benefit decreases government spending on poverty protection within the welfare state. ALMPs are meant to reintegrate the unemployed, and thereby decreasing that dependence on the social assistance benefit.

Besides the ALMPs in place, there are passive labour market policies that consist of income protection through measures such as unemployment insurance and early retirement schemes and other financial instruments such as childcare subsidies (Efendioğlu, Auer, & Leschke, 2005, p. 9). These passive measures are part of the welfare state structure of the Netherlands. Although there have been changes in eligibility and generosity, the Dutch have a tradition of a strong government presence when it comes to income and labour. The country has a minimum wage, a progressive tax system and many other forms of income assistance, such as rent- and health care subsidies and mandatory unemployment- and sickness insurance (Andeweg & Irwin, 2014). The Dutch also have a long and diverse history with immigration and integration. After the Second World War, the Dutch economy was in dire need of more labour supply, and the government started programs to attract guest workers, mainly from Turkey, Morocco, Spain, Italy, and Portugal (Schrover, 2010). In more recent years, the Netherlands has participated in European schemes for asylum seekers, especially during the 2015 refugee crisis (Spindler, 2015). In 2020, 24.2 per cent of the Dutch population had a migration background, of which 13.7 per cent non-Western. Those people either were born in a non-Western country or are the second generation, meaning one or both of their parents were born in a non-Western country. In 2020, the total Dutch population with a non-Western migration background was close to 2,5 million (Statistics Netherlands, 2021). Reports stating that non-Western immigrants are overrepresented in social assistance benefits have been published frequently. In 2014, non-Western migrants formed 11.8 per cent of the Dutch population and the same group received 45 per cent of social assistance benefits (Statistics Netherlands,

2021). Six years later, the disproportionate representation of non-Western migrants in the social assistance benefit has not changed. From the close to 2,5 million individuals with such a background in the Netherlands in 2020, 262.000 receive social assistance benefits, corresponding to 9.3 per cent of the population. In contrast, 1.3 per cent of Dutch individuals without a migration background are social assistance benefit recipients (Statistics Netherlands, 2021).

The Participatiewet, implemented in 2015, aimed to increase each individual's labour participation to their full potential. Municipalities have taken on increasing responsibilities for the re-integration of social assistance benefit recipients since the decentralisation of social security and labour market policies. Not only are Dutch municipalities responsible for accepting or rejecting social benefit assistance applicants and the consequential pay-out of the benefit, but they are also responsible for the supply of re-integration instruments for the social assistance benefit recipients in their municipality. Furthermore, municipalities are also responsible for monitoring and sanctioning social benefit recipients. Although all municipalities bear these responsibilities, the municipalities differ greatly in characteristics. Demographics, size, median income, mobility, voting behaviour, budgetary restrictions, all can impact the supply of ALMPs. The focus of this research is the difference in demographics between municipalities that can affect the outflow of the social assistance benefit. The disproportionate representation of non-Western migrants in the social assistance benefit raises the question of whether not only increased enrolment in ALMPs improves outflow, but also whether a higher share of non-Western migrants affects the relationship between enrolment in ALMPs and outflow. If so, municipalities with a high share of residents with a non-Western migration background are disproportionally challenged by the decentralisation of social security and labour market policy.

Much is unclear about effective ALMPs for migrants. Only for a broader setting, some guidance on this is provided by the literature. In particular, Sebastian Butschek and Thomas Walter (2014) published a meta-analysis of active labour market programs for immigrants in OECD countries in the *IZA Journal of Migration*. In their analysis, the authors compared the effectiveness of different ALMP's for migrants in European OECD countries and concluded that only wage subsidies can confidently be advised to European policymakers (Butschek & Walter, 2014). They found little difference between natives and migrants in terms of effectiveness. Concerns about the pressure put on the welfare state by increased migration

may have been relieved by research finding the expansion of welfare state spending, but this does not mean the current approaches are efficient and sufficient.

This thesis will address the question of the effectiveness of ALMPs for decreasing dependence on the social assistance benefit but will specifically focus on the position of first- and second-generation non-Western immigrants in the Netherlands, that at some time from 2015 to 2017 have received social assistance benefits. I will do so with publicly accessible data from Statistics Netherlands (In Dutch: het Centraal Bureau voor de Statistiek), that have collected data on unemployment, migrants on the labour market and ALMPs for these years. I will explore the relationship between migrants and ALMPs by addressing the following research question:

*To what extent is the relationship between enrolment in ALMPs and the outflow of the social assistance benefit affected by the share of the population with a non-Western migration background?*

The relevance of this question being answered is twofold. First, increased academic insight into the effect of ALMPs for different subgroups in society will either strengthen the existing convictions of what works and for whom, or lead to new insights that can contribute to new theories. Second, the societal relevance of a better understanding of which ALMPs work for which groups is significant. By investing in effective ALMPs, unemployment can be decreased and the participation of individuals who previously stood at the sidelines can be improved. This would be both an economic and a societal benefit. The Dutch government has stated clearly that its goal is to increase each individual's labour participation to the maximum potential (Wet maatregelen Wet werk en bijstand en enkele andere wetten; Memorie van toelichting, 2013). To accomplish such an objective, insight into the effectiveness of ALMPs per subgroup in society is valuable indeed. Additionally, in April 2021, Statistics Netherlands announced that they will stop distinguishing between non-Western and Western migration backgrounds in their data (Heck, 2021). I hope these insights will indicate if that distinction is indeed unnecessary, or whether there are significant differences in effectiveness between these groups. In that case, separating them in reporting of data might help create better-targeted policies. Additionally, as more municipalities find themselves fighting budgetary pressures (VNG, 2021), finding investments that are effective to lower these budgetary

pressures is necessary to support municipalities. Insight into the effectiveness of the current ALMPs in the Netherlands can be of use in determining whether these ALMPs are sufficient.

In the first section of this thesis, the current system of the social assistance benefit and unemployment insurance of the Netherlands is briefly explained. Following this section is an overview of theoretical and empirical work on general ALMPs, both internationally and in the Netherlands. In the third section, existing research on targeted ALMPs, especially for migrants, is outlined to give a clear image of the dominant views on the position of migrants on the labour market to understand the mechanisms at work. The fourth section will consist of a further explanation of the data that will be used and the research design, whereafter the results of the empirical analysis are described and interpreted. The final section consists of some concluding remarks and policy recommendations.

# 1. An overview of Dutch active labour market policy

The European Centre of Expertise stated in a thematic review of Dutch labour policy, requested by the European Commission, that the Netherlands has a long tradition of income protection (Vrie, 2017). This protection is led by two principles: solidarity among citizens, while the government is responsible to protect its citizens from poverty (Stigter, 1997). These two principles have resulted in retirement pensions, disability and sickness insurance, a progressive tax system, and many subsidies and benefits related to income, such as rent and child benefits. For the current analysis, the focus will be on unemployment and social assistance benefits, as they are most relevant for ALMPs. According to Statistics Netherlands, the labour force is made up out of those between the ages of 15 and 75, who are either in paid employment, or recently searched for and are immediately available for paid employment. The current labour force in the Netherlands consists of 9.3 million individuals (Statistics Netherlands, 2021). When a member of the labour force loses their job and their income, there are two main options for income replacement. The first option is the WW, the 'Unemployment Insurance'. The second option is a social assistance benefit, the 'Bijstandsuitkering'.

**Unemployment insurance and social assistance benefits**

The WW is a form of unemployment insurance. Since 2009, the WW is financed by employers who pay premiums towards a sectoral fund and the Algemene Werkloosheidsfonds (AWF). The replacement rate of the WW is 75 per cent in the first two months of unemployment, and 70 per cent from the third month, up to a maximum of 24 months. The maximum level of the benefits is 223,40-euro gross pay per day, which adds up to a gross income of 3.644,21 euro per month in the first two months, and 3.401,27 euro in the months after (het Juridisch Loket, 2021). Eligibility depends on several criteria. First and foremost, the reason why you became unemployed cannot be your fault. That means that voluntary quitting, or being fired due to misconduct or other allegations, results in exclusion from the WW. Secondly, you must be immediately available to work. Third, you must lose at least 5 hours of work per week. In the past 36 weeks, you must have worked at least 26 weeks. When

self-employed, or with sick- or pregnancy leave, a period is chosen in which you did work those 26 weeks. If you meet these conditions, you are entitled to three months of WW benefits at a minimum. If you have worked four years in the past five years, the length of the WW increases up to a maximum of 24 months (Art. 62 Wet WW 1986). If you are not eligible for the WW, or these benefits are exhausted, the other option is the social assistance benefit. These benefits are widely known as the 'bijstand' and are the social minimum and ultimate protection from poverty. The level of the net benefit for single 21-year-olds up to those who have reached the retirement age (66 years and four months at the time of writing) is 1.075,44 euros per month (Rijksoverheid, 2020). It is thus important to note that the social assistance benefit is lower than the WW, and the WW is seen as a motivator to find employment before an individual would possibly have to enter the social assistance benefit. It should be kept in mind that the social assistance benefit in the Netherlands is seen as a last resort because it is preceded by a more generous way of income protection that intends to motivate reintegration into the labour market.

The social assistance benefit has a long history in the Netherlands, starting with the 'Wet op het Armbestuur', legislation that obligated churches to assist members of their community living in poverty (Regt, 1985). This legislation was enforced, with only minor adjustments, from 1854 to 1965. The 'Wet op het Armbestuur' was replaced with the 'Algemene bijstandswet' (ABW) by the first female Minister in the Netherlands, Marga Klompé. The ABW shifted the primary responsibility of protection from poverty from churches, family members and communities to the government. The benefits were means-tested and differentiated between singles, single parents, and couples (Memorie van Antwoord Wet Algemene Bijstand, 1995). The legislation was not without its flaws, being adjusted 61 times in just eight years. A point of critique was the lack of adjustment to increased costs of living. The benefits of the ABW did not increase with inflation or changes in the housing market (Memorie van Antwoord Wet Algemene Bijstand, 1995). Still, the replacement of the ABW was not implemented until 2004.

Since 2004, the replacement of the ABW, 'Wet Werk en Bijstand' (WWB) also provided social assistance benefits for those without (sufficient) income. However, the new legislation had a focus on on ALMPs (Memorie van toelichting - Wijziging van de Wet werk en bijstand en enkele andere sociale zekerheids-wetten, 2013). In 2009, the WWB was amplified with the WIJ, legislation that obligated municipalities to offer people under the age of 27 that applied

for social assistance benefits a job, education, or a combination of both (Wet Investeren in Jongeren, 2009). This was later replaced with the scheme that people under the age of 27 had to search for new employment themselves for at least four weeks before they were eligible for social assistance benefits (Rijksoverheid, 2021). Furthermore, municipalities had the primary responsibility to 'activate' the unemployed, through requiring 'compensation' from receivers of social assistance benefits ("Quid pro quo"). This compensation had to be useful for society and ranged from volunteering at an elderly care home to maintenance work in public parks. Although the Minister urged municipalities to require such volunteer work, not all municipalities chose to do so (Brandsma, 2019). Since the social assistance had been decentralised, municipalities had some freedom in their policies. This also means that obligations and privileges for social assistance receivers could differ per municipality. The strictness of monitoring also differed. What all municipalities had to enforce, however, was the obligation to accept any available work, with some exceptions for single parents with young children (Art. 9 lid 4 Wet Werk en Bijstand, 2003). The WWB did not last either and was replaced by the 'Participatiewet' in 2015. Although the Participatiewet was a legal replacement, some elements from the WWB remained.

The Participatiewet aimed to enable all members of the labour force to work as much as they can and let all members of society provide for themselves as much as possible (Tweede Kamer der Staten-Generaal, 2014). The legislation was implemented by the Rutte 2 administration, a coalition of a social-democratic party and the liberal right-wing. Municipalities are still responsible for the social assistance benefits as they were with the WWB, and a new focus was put on re-integration in the labour market. The Participatiewet shifted responsibility for two other forms of income assistance. The Wajong, a benefit specifically for young unemployed individuals (between the ages of 18 and 30) with a physical or mental disability, or a serious illness, became a responsibility of municipalities. The same applied to the WSW, a law that requires public jobs to be made available for individuals with a disability. The social assistance benefit is seen as a last resort, and there are specific programs for young individuals with a mental or physical disability, for those with illness and those close to the retirement age (Tweede Kamer der Staten-Generaal, 2014). Another addition to the social assistance benefit was the so-called "language requirement", implemented in 2016. Art. 8b of the Participatiewet states that receivers of the social assistance benefit must prove they sufficiently speak and write the Dutch language on 1F level, the same level as children must possess when they leave elementary school, between

the ages of 10 and 12. If that level is not reached, the receiver should show they are actively trying to improve their Dutch language skills. Additionally, obligatory volunteering as compensation for the social assistance benefit is still highly motivated in the Participatiewet (Brandsma, 2019). Another component of the social assistance benefit that remains is the rule that testable income includes all members of a household, not only partners but also children. As a result, the level of the social assistance benefit has been decreased for some households (Rijksoverheid, 2021). Because municipalities have much freedom in creating and offering policies, the measures discussed are the foundation of ALMPs in the Netherlands, not the entirety of it. The foundation that has been built gives room for four general categories of ALMPs that are discussed in the next section.

## 2. Active labour market policies

Card et al. (2018) distinguish four general ALMP approaches: training, subsidized employment in the private sector, subsidized employment in the public sector and job search assistance and sanctions. Sanctions can be imposed if there is not enough effort to find employment or if available work is not accepted if the language requirement is not met or when extra income is not reported. Job search assistance is also provided by municipalities. The Netherlands also has different training- and education programs available via municipalities, and face-to-face guidance when searching for fitting employment. Because the provision of ALMPs is largely decentralised, the supply of this training and guidance differs between municipalities (Ministry of Social Affairs and Employment, 2018). Additionally, there are wage subsidies for specific subgroups. If expected productivity for a subgroup is lower than the minimum wage, a wage subsidy is believed to increase the chances of employment for such a subgroup. This wage subsidy can be temporary until training is finished, or an individual has reached minimum wage productivity, or it can be a lumpsum. Another option is the creation of public jobs, offered by the government for those who cannot find employment themselves. These public jobs are often targeted towards people with a disability that cannot work without special supervision or guidance (Card, Kluve, & Weber, 2018). Between 2012 to 2017, many of these sheltered jobs have been ended and a new focus is put on jobs offered by employers, both in the private and the public sector (Rijksoverheid, 2018).

Municipalities have significant freedom to shape their ALMPs. Sebrechts, Kampen and Tonkens (2019) have identified four main strategies in the Netherlands, with different characteristics. The authors see an activating regime, characterised by many rights and many obligations. The second regime is a facilitating regime that knows many rights but fewer obligations. A sanctioning regime has fewer rights and more obligations. Final and fourth, a ‘laissez-faire’ regime that has few rights or obligations. Obligations encompass sanctions and volunteering as compensation (among other measures), and the rights for those in social assistance benefits consist of subsidies and premiums for participation (Sebrechts, Kampen, & Tonkens, 2019). These different types illustrate the diversity in personal situations of those receiving social assistance benefits. A benefit recipient can be confronted with strict

monitoring or a laissez-faire attitude, with motivating subsidies for labour participation or with compulsory volunteering. Furthermore, the municipality itself decided whether an applicant is eligible for the social assistance benefit (Sebrechts, Kampen, & Tonkens, 2019).

In line with these regimes, the use of ALMPs also differs between municipalities, allowing to investigate their effectiveness. The differences in effectiveness created by the Dutch decentralisation of labour market policy were analysed by Lourens Broersma, Arjen Edzes and Jouke van Dijk (2011) from 1997 to 2007. Using inflow and outflow rates as dependent variables, and indicators of the policy strategy of each municipality as the main explanatory variable. They find that sheltered jobs do not lead to a higher outflow to work, just as activating strategies, and conclude that only improving internal cooperation within municipalities, and external cooperation with other partners have a positive effect on the outflow of the social assistance benefit (Broersma, Edzes, & Dijk, 2011). Additionally, the authors state that the efforts made to increase outflow come at high costs. Their results indicate that for the increase of the outflow with one individual, fifty extra sheltered jobs should be created, or fifty additional courses must be offered to social assistance receivers (Broersma, Edzes, & Dijk, 2011). This conclusion illustrates doubt about the relationship between enrolment in ALMPs and the outflow of the social assistance benefit.

The effectiveness of ALMPs is a much-discussed subject in public administration. Escudero (2018) focused on the indicators of successful ALMPs in thirty-one countries for fifteen years and found that implementation and management are crucial, not necessarily the type of ALMP. More specifically, she concluded that policy continuity impacted the effectiveness of ALMPs, as well as correct implementation, meaning the right ALMPs are offered to the right subgroups (Escudero V. , 2018). The same conclusion is drawn for OECD countries: strategies and success rates differ greatly between countries (Martin, 2015). The process of targeting certain types of ALMP to specific subgroups impacts the effectiveness of investing in ALMPs, as Auer and Fossati (2020), Broersma, Edzes, & van Dijk (2011), Butschek and Walter (2014), and Card et. al (2018) concluded.

Yet another common conclusion drawn is that the general effectiveness of ALMPs is low. Vooren et al. (2018) compared the effectiveness of ALMPs in the short and longer-term. Although the authors found a significant difference in effectiveness in the short and long term for public jobs and subsidized employment. At first, these ALMPs have negative effects, but after twelve to thirty-six months, these effects turn positive. Despite this conclusion, the

authors state that the overall effectiveness of ALMPs is low (Vooren, Haelermans, Groot, & Brink, 2018). Broersma, Edzes, & van Dijk (2011) reach the same conclusion. Regardless of the type of ALMP, the authors only found a weak positive relationship between enrolment in ALMPs and the outflow of the social assistance benefit. Robinson (2000) even stated that training programmes generally do not improve the unemployment rate, and wage subsidies are only effective because it is fiscal redistribution from the rich to the poor.

There is some disagreement on the most effective type of ALMP. Whereas some scholars claim that wage subsidies are the most effective ALMP (Butschek & Walter, 2014) (Vooren, Haelermans, Groot, & Brink, 2018), others state that labour market training and educational programs are more effective in the long run. Meager (2009) voiced that only programmes that focus on improving specific skills might have some positive impact on the labour market performance of unemployed individuals. Large-scale programs, according to Meager (2009), have fewer to no impact on the reintegration of the unemployed into the labour market. However, most research emphasises the importance of implementation and strategy: offering the right instruments to the right groups. As mentioned earlier, municipalities are primarily responsible for offering these instruments to their residents. The funding from the national government, the BUIG-budget, enables municipalities to implement an ALMP strategy. But the height of the BUIG-budget is not a straightforward calculation and depends on several factors.

**The BUIG-Budget**

Municipalities are responsible for carrying out the Participatiewet. The funding for the Participatiewet is done by the national government, which distributes the funds among the municipalities. This financing is called the 'BUIG-budget' and encompasses the Participatiewet and benefits for partly disabled employees and self-employed individuals. If a municipality has a surplus, it can spend the leftover budget freely. However, if the budget is insufficient, municipalities need to finance the shortages themselves. For smaller municipalities with less than 15.000 residents, the BUIG-budget is solely based on the preceding budget of the municipality, with a correction for an increase or decrease of the number of households. For municipalities with between 15.000 and 40.000 residents, the budget is partly based on previous budgets, and partly based on the current expenses of benefits that need to be paid out (Ministry of Social Affairs and Employment, 2018).

For all municipalities with more than 40.000 residents, the main determinator of the BUIG-budget is the sum needed to pay out the current benefit expenses. In this determination, the budget is drawn based on the predicted out-and inflow of the benefits for that year and the predicted average height of the benefit. To predict the average height of the benefit and the predicted number of benefits that need to be paid out, there is a list of indicators that include age, gender, education, migration background, labour supply, and neighbourhood safety among other indicators (Ministry of Social Affairs and Employment, 2018). So, municipalities do get funding based on a range of factors, including migration background. This would mean that the share of non-Western migrants residing in a municipality would not negatively impact the outflow of the social assistance benefit, as the government provides municipalities with funding that compensates for possible disadvantages that come with a high share of non-Western migrants that are social assistance benefit recipients. That observation raises the question of why the representation of non-Western migrants that receive the social assistance benefit is so disproportionate compared to Western and Dutch individuals. To closer analyse the relationship between outflow, ALMP strategy and migration background, it is important to first gain insight into the relationship between migrants and the labour market.

## 3. Targeted active labour market policies

In this section, theoretical and empirical work on the relationship between migrants and ALMPs is discussed. The Dutch welfare state relies heavily on these ALMPs and legislation has been altered often the past ten years. The general trend has been to tighten eligibility and steer towards labour participation to someone's maximum potential (Ministry of Social Affairs and Employment, 2018). This has resulted in increased monitoring and obligations for social assistance recipients (Rijksoverheid, 2020). But besides these general policies of job search assistance, training, sanctions, obligations and wage subsidies, there are also other types of active labour market policies that are specifically targeted towards migrants. One of them is the language requirement in the Participatiewet, obligating social assistance benefit receivers to at least comprehend the Dutch language on B1-level. The measure was supported in the political arena because the language requirement was believed to increase the chances of employment (Besluit Taaltoets Participatiewet, 2015). If a social assistance benefit recipient does not meet this requirement, the benefit can be lowered. However, in January of 2019 research by news medium Eenvandaag (2019) showed that over 130 municipalities did not enforce this rule. Municipalities thus use their discretionary freedom to choose differently when they see fit in personal situations. In 2019, Statistics Netherlands published a report in which they analysed the extent of the language requirement in unemployment legislation in Dutch municipalities. Their research showed that almost no unemployed were sanctioned for not reaching the language requirements and that municipalities had trouble reporting or enforcing the language requirements (Braggaar, Groot, Leendertse, & Molenaar-Cox, 2019).

The current government stated in 2017 that the position of migrants on the Dutch labour market could be improved by motivating Dutch language skills and embracing the Dutch values of freedom and equality (Braggaar, Groot, Leendertse, & Molenaar-Cox, 2019). The coalition, again, gave the freedom to municipalities to activate migrants on the labour market. Among the instruments municipalities chose were flexibility with language skills and the integration exams migrants must pass to receive social assistance benefits, and fewer migrants per client manager to give more guidance to everyone. But the Ministry of Social Affairs and Employment admitted that there have been few specific policies for non-Western migrants

(Ministry of Social Affairs and Employment, 2018). Butschek and Walter (2014) distinguished three specific policies for migrants in ALMPs: language training, introduction programmes and general programs that are exclusively offered to migrants. The latter consists of programs that fit one of the general types discussed before, such as job training and wage subsidies. They found that training has a less positive impact on the position of migrants in the labour market than subsidised employment in the private sector. Although few of their results were statistically significant, they did find a significant positive effect of wage subsidies, as opposed to other programmes. But as the authors themselves note, there is little evidence for programmes such as language training and introduction trajectories and their effectiveness in placing migrants closer to the labour market is unclear (Butschek & Walter, 2014). The reason for this lack of clarity about the effectiveness of these migrant-specific programmes is that these programmes are relatively new, according to Butschek and Walter (2014). Additionally, not all migrants need such language training or introduction trajectories. As mentioned before, however, Butschek and Walter are only convinced of the effectiveness of wage subsidies.

Card et al. (2018) also investigated effectiveness for specific subgroups in the population of the unemployed. As described in the first section, the authors distinguish four types of ALMPs: private sector subsidized employment, public sector employment, training, and job search assistance. For older and younger individuals, only job search assistance had a slightly positive effect. The other three instruments were found to be negatively related to finding employment. For women, training and private sector subsidized employment was found to have a positive effect. These positive effects are larger for women than for men. Long-term unemployed individuals were also more positively affected by all instruments than regular unemployment insurance recipients (Card, Kluve, & Weber, 2018). The results of the analysis of Card et al. (2018) show that there is a difference in the effectiveness of ALMPs for subgroups.

Martin and Grubb (2001) have reviewed public spending on active and passive labour market programmes from 1985 up to 2000 for several OECD countries. In their analysis, the authors aim to find what labour market policies are most effective for whom. Of all measures included in the analysis, job search assistance was found to be beneficial for most unemployed. For women, formal classroom training, training on the job and wage subsidies are especially effective. The long-term unemployed are most helped by subsidized

employment. Direct job creation is found to be ineffective for most adults and young unemployed. In 2000, OECD countries spent an average of thirteen per cent of their budget for the active labour market policies on measures that specifically target young unemployed. But evaluation of these youth measures shows close to no effect on the employment rate among young unemployed. Reports from several countries, such as the United States and Sweden, have drawn regrettable conclusions about their youth employment policies. However, results seem to improve when there is early and sustained intervention in a young adult's career path (Martin & Grubb, 2001). They report only a few successful attempts at specifically targeted active labour market policy. More recently, the OECD advised targeted ALMP approaches to 'unlock skill potential' of migrants (OECD, 2014). Observing an underutilisation of skills caused by a lack of knowledge of the country and the culture, the OECD claims instruments such as mentorship programmes (as implemented in France, Canada, and Denmark) can help to unlock the labour potential of migrants. In the same report, however, an approach that combines upskilling and employment is characterized as optimal (OECD, 2014). The OECD advises to aim for a combination of competitive and compensating logic in ALMPs if possible but emphasizes that investing in migrants' skills is most important.

The Dutch Centraal Planbureau (2020) assessed the effectiveness of active labour market policies for migrants in the Netherlands, commissioned by the Ministry of Social Affairs and Employment. As the researchers note, the Netherlands has few specific policies that are designed for migrants. They believe this is caused by the Participatiewet leaving the responsibility of meeting individual needs to municipalities, meaning that there are no instruments that are exclusively used for either natives or migrants by law (Ministry of Social Affairs and Employment, 2018). The language requirement is not a measure that natives are automatically excluded from if their language skills are not sufficient. Research from the Kennisplatform Integratie & Samenleving (Razenberg, Kahmann, & Gruijter, 2017) shows that 82 per cent of the Dutch municipalities have created additional policies for asylum seekers, a group that is often new in Europe, new to the culture and the language. But these policies are not necessarily applicable to non-Western migrants that have already obtained Dutch citizenship. Additionally, there is no specific policy to combat discrimination in the labour market, nor is there a central gathering of information on the extent of labour market discrimination (Ministry of Social Affairs and Employment, 2018). The conclusions drawn in this report are in line with those of Auer and Fossati (2020), stating that more specifically

targeted measures for (non-Western) migrants are necessary to bridge the gap between them and Dutch natives. The Ministry of Social Affairs and Employment has commissioned multiple reports on the effectiveness of active labour market policy for all sorts of subgroups. The research was conducted in the municipality of Amsterdam for migrants and active labour market instruments in 2012 and 2013. Bolhaar, Ketel and Van der Klaauw (2020) study several instruments: a required search period, job interview training, direct job placement and guidance with finding employment or participation. They found no significant effects for the job interview training and guidance but did find a positive relation between migrant outflow and direct job placement. Direct job placement can be accompanied by (temporary) wage subsidies (Bolhaar, Ketel, & Klaauw, 2020).

The dominant view is that ALMPs have differentiated effects for subgroups, but just as the general effect of ALMPs is low, there are no grave gaps between migrants and natives either. Still, there is a significant contrast between the representation of non-Western migrants and natives in the social assistance benefit. Auer and Fossati (2020) see the distance to the labour market as the cause for this disproportionate representation.

**Distance to the labour market**

Auer and Fossati (2020) distinguish two ends of a scale of active labour market policy: compensating measures on the one end, and competitive instruments on the other end. Compensating policies aim to improve human capital via intensive training and education programs. Competitive programmes attempt to implement learning-by-doing, by placing individuals in jobs that consist of basic activities. These learning-by-doing programmes are sometimes shaped to avoid competition with private activities, such as the maintenance of public parks and sheltered jobs (Auer & Fossati, 2020). The two ends of the active labour market policy scale are described as a contrast between compensation logic and competition logic, respectively (Auer & Fossati, 2020). An active labour market strategy based on competition logic aims to be cost-efficient and fast in re-integrating the unemployed. With fast job placement a caseworker's workload decreases, and the costs of active labour market policy decrease altogether. Competitive labour market policies are measures such as wage subsidies and publicly created jobs, as they place individuals into employment as fast as possible, without preceding investment in what Auer and Fossati (2020) call 'employability disadvantages', individual characteristics that cause a greater distance to the labour market.

Compensation-based active labour market policy, on the other hand, is focused on improving the specific skills of an unemployed individual. Examples of such compensating measures are personal guidance and training or education. These instruments aim to improve the employability disadvantages of an individual and thereby decrease the distance to the labour market. Auer and Fossati (2020) refer to Switzerland as an example of compensation based ALMP strategy. The unemployed are divided based on how challenging reintegration into the labour market would be. Such a categorisation is not just based on education or language skills, but also on communication abilities and behavioural characteristics. After this categorisation, each group is supported with different ALMPs. This approach is based on the idea that lacunas between an individual and the labour market differ and should be compensated for with differentiated policies. The Netherlands has a similair system in place, the so-called 'Participatieladder'. This system is offered as a tool to caseworkers to determine what kind of support is fitting for an individual. The ladder consists of six rungs: isolation, outdoor social interaction, participation in organised activities, unpaid employment, paid employment with support, and paid employment without support (VNG, 2010). The idea behind the Participatieladder is that assessing the rung an individual is currently situated on, can assist a caseworker in offering the most efficient instrument to an individual. Auer and Fossati (2020) claim that the distance between migrants and the labour market is at least partly caused by the lack of compensation-based ALMPs, and state that using a system that attempts to compensate for distance to the labour market will be more effective than competitive-based fast job placement.

The distance between migrants and the labour market is explained by Auer and Fossati (2020) with insider-outsider theory. Insiders on the labour market are those in stable employment, while outsiders are those with low levels of job protection. The insiders do not have an interest in ALMPs, out of fear of increased labour competition and higher tax burdens (Rueda, 2006). Labour turnover costs, an important part of an employers' preference for labour insiders, cause those with a greater distance to the labour market to struggle with finding employment (Lindbeck & Snower, 2001). Investing in compensating active labour market policies, according to Auer and Fossati (2020), will lead to increased labour competition. If the ALMP strategy of a country or municipality is dominantly competitive, aiming for fast job placement, migrants do not get the opportunity to bridge the gap between the labour market and themselves. The last argument in favour of compensating ALMPs brought forward by Auer and Fossati (2020) is the belief that employers will often hire someone that has higher

perceived compatibility with the firm and their employees. Cultural and linguistic distance results in lower perceived compatibility, Auer and Fossati (2020) claim, and this means compensating measures for non-Western migrants are necessary to increase that perceived compatibility and bridge the gap between migrants and the labour market. That way, the labour market performance of migrants can be improved.

Labour market performance determines the need for ALMPs. If each individual would find employment on their own, ALMPs would no longer be necessary. Yet labour market performance differs greatly between subgroups, according to Clark and Drinkwater (2008), who found that cultural background, human capital, and linguistic skills of migrants are strong determinators of labour market performance. Comparing the performance of migrants in the United Kingdom before and after the 2004 EU enlargement, Clark and Drinkwater (2008) conclude that there is a high degree of variation between migrant groups when it comes to labour market performance. Those with a skillset that is close to natives have higher employment rates and wages when compared to groups with a more distant skillset. This conclusion is in line with the policy recommendations made by Auer and Fossati (2020): more action is required for migrants with a greater distance to the labour market than it is for natives.

Research on ALMPs for migrants is still largely absent. Also, there does not seem to be a one-size-fits-all solution for the disproportionate representation of non-Western migrants in income protection programs such as the social assistance benefit. The disproportionate representation of non-Western migrants in the Dutch social assistance benefit and the work discussed above all claim that supporting migrants on the labour market is more challenging if the cultural, linguistic, and educational differences between natives and the migrant group are high (Auer & Fossati, 2020; Bolhaar, Ketel, & Klaauw, 2020; Butschek & Walter, 2014). This means that Western migrants, that have a closer cultural resemblance and a corresponding low number of individuals in the social assistance benefit, are easier to support than non-Western migrants, a group that knows a greater distance to the labour market.

Based on these claims, and the doubt about the overall effectiveness of ALMPs, there are two hypotheses we can test with data for all 388 municipalities in the Netherlands. To clarify, in 2017 some municipalities fused or disappeared, so I only use the municipalities that existed all years of observation.

*H0: Higher enrolment in ALMPs does not increase the change of a higher outflow of the social assistance benefit to work.*

*H1: A higher share of non-Western migrants decreases the change of increased enrolment in ALMPs causing a higher outflow of the social assistance benefit to work.*

Based on these two hypotheses, an answer to the question of whether municipalities with a higher share of non-Western migrants should invest more in ALMPs to increase outflow than municipalities with low numbers of non-Western migrants. It will also formulate an answer to the question to what extent the outflow of the social assistance benefit can be explained by the number of individuals enrolled in an ALMP in general.

What I aim to find is whether enrolment in any ALMP has a different level of effectiveness for non-Western migrants when compared to the general population. But to do so, first the general effectiveness of ALMPs is established. Because existing research emphasises that the effectiveness is at least party dependent on strategy, policy continuity and implementation (Escudero V. , 2018), the decentralisation of labour market policy in the Netherlands is an opportunity to compare whether the level of enrolment in ALMPs has similar effects in each municipality. In the next section, I will further explain the data I use and the research design that will be applied to these questions.

## 4. Research Design and Data

To address the lack of insight into the effectiveness ALMPs for non-Western migrants, I will make a first step in outlining the relationship between outflow and enrolment in ALMPs, and specifically whether this relationship changes as the share of non-Western migrants in the population changes. The reason for restricting this research to just the Netherlands is one of practical considerations. First, the system and language are familiar to me. Second, due to time constraints, a cross-country analysis is out of reach. Amplifying this decision is the fact that the active ALMPs in the Netherlands can differ per municipality and among these municipalities, there is the possibility for comparison between relatively similar locations and individuals that are subjected to different treatment. Therefore, the scale of this research is limited to the Netherlands and their ALMPs that apply to individuals receiving social assistance benefits. The WW, the Dutch unemployment insurance, is left out of the analysis because the length and height of this form of income protection are calculated based on an individual's previous work experience and thus differs per individual.

**Data**

Statistics Netherlands provides data via Statline on social assistance recipients and their enrolment in ALMPs publicly per municipality and nationally. Within the data, individual numbers for municipalities are provided by Statistics Netherlands. Reports on gender, age, and migration background of social assistance recipients and enrolment in different ALMPs are reported only on a national level. Since the differences between municipalities are significant, using the national data can cause outliers to seriously influence the results. Therefore, a trade-off is made between detail and unbiasedness. Data that is provided for municipalities consists of enrolment in ALMPs per municipality, the number of social assistance recipients per municipality, the outflow of the social assistance benefit per municipality, the outflow of the benefit because of an individual finding employment per municipality, and the share of (non-)Western migrants per municipality. All this data is provided yearly. This means there is no possibility to include the characteristics of social

assistance benefits per municipality, nor is it possible to include the type of ALMP and the characteristics of those enrolled in the ALMP. Therefore, I trade in some detail in exchange for less biased results.

There are multiple considerations to be made about the timeframe that will be analysed. The reporting of the Dutch active labour market has undergone numerous changes in the past decades, especially the classifications and registration of Statistics Netherlands. These changes complicate a consistent analysis over a longer period. The fraction of Western and non-Western migrants residing in municipalities has been reported consistently since 1995. However, enrolment in ALMPs per municipality and the share of social assistance recipients that are simultaneously enrolled in such an instrument is published with significantly less consistency. Therefore, it is essential to be careful in selecting data that can be reasonably compared. For at least three years since the decentralisation of labour market policy, there is uniform data reported on enrolment in ALMPs and the share of social assistance recipients that are enrolled in an ALMP. These years are 2015, 2016, and 2017. Before and after these years, data is reported differently. After 2017, the total enrolment in ALMPs is reported per municipality, but without the specification of whether and how many of these individuals are social assistance benefit recipients. ALMPs are not exclusively for those in the social assistance benefit, but also those in other benefit programs. Since this analysis uses the total number of social assistance benefit recipients, excluding other benefit programs, using this data will lead to an unjustified comparison. Although the number of individuals per specific benefit is reported, it is impossible to calculate the number of social assistance benefit recipients that are also enrolled in an ALMP. To ensure a reliable comparison, and to conclude only for the social assistance benefit recipients, the years 2015, 2016, and 2017 can be part of the same analysis. The years 2018, 2019, and 2020, can be used to compare general enrolment in ALMPs and outflow out of the social assistance benefit, but the individuals enrolled in an ALMP while receiving no or another benefit will make results unreliable.

To summarize, the only years that can be used to estimate the relationship between the outflow of the social assistance benefit and enrolment in an ALMP are 2015, 2016, and 2017 for 388 municipalities. That is a relatively short period of analysis and that must be taken into consideration when interpreting the results. There is no publicly available data of the number of migrants in the social assistance benefit or enrolled in an ALMP per municipality.

First, we take a closer look at the data that is used in the analysis. The characteristics of social assistance recipients over the period between January 2015 and July 2020 are displayed in

Table 1. The representation of the subgroups is stable throughout these five years, but several points stand out. First, since January 2017, there has been a consistent decrease in the number of social assistance benefit recipients. Within the group of social assistance benefit recipients, there are consistently more women than men, with varying gaps between them through the years. Another constant factor is the representation per age category: the group of those aged between 46 and the retirement age of 66, is significantly larger than the groups aged under 27 and those aged between 27 and 45. Western migrants are least represented in social assistance benefits. The largest group within social assistance benefit recipients is the group of non-Western migrants. Table 1 shows a persistent trend in the distribution of social assistance benefits among subgroups. Females, those aged between 44 and 66, and non-Western migrants remain the most represented in social assistance benefits, despite the decrease in reliance on social assistance benefits since 2017.

***Table 1: Characteristics of Dutch social assistance benefit recipients, presented as a percentage of social assistance benefit recipients***

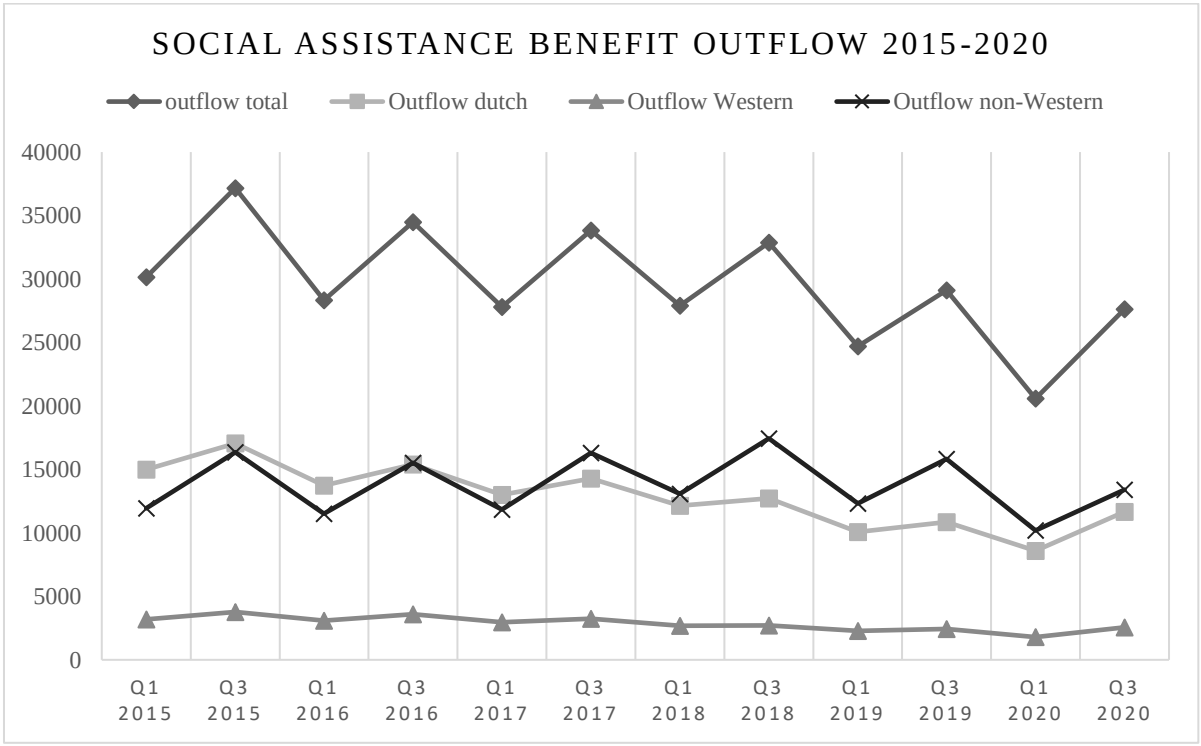
| | Total | % Men | %Women | % Age <27 | % Age 27-45 | % Age 46-66 | % Dutch | % Western migrant | % Non-Western migrant |
|---|---|---|---|---|---|---|---|---|---|
| *Q1 2015* | 483.800 | 43.3 | 56.7 | 8.1 | 38.2 | 43.7 | 40 | 11.3 | 48.7 |
| *Q3 2015* | 487.350 | 43.4 | 56.6 | 8.4 | 37.8 | 44.4 | 39.6 | 11.2 | 49.2 |
| *Q1 2016* | 500.450 | 43.7 | 56.3 | 8.6 | 38.4 | 44.4 | 39.1 | 11 | 49.9 |
| *Q3 2016* | 508.150 | 43.8 | 56.2 | 9.2 | 36.6 | 44.7 | 38.3 | 10.7 | 51 |
| *Q1 2017* | 516.250 | 44.2 | 55.8 | 9.4 | 36.1 | 44.9 | 37.5 | 10.5 | 52 |
| *Q3 2017* | 516.430 | 43.7 | 56.3 | 9.6 | 35.3 | 45.4 | 36.9 | 10.3 | 52.8 |
| *Q1 2018* | 508.360 | 43.4 | 56.6 | 9.1 | 34.6 | 46.2 | 36.5 | 10.2 | 53.3 |
| *Q3 2018* | 497.510 | 43 | 57 | 8.8 | 33.6 | 47 | 36.2 | 10.1 | 53.7 |
| *Q1 2019* | 486.040 | 42.8 | 57.2 | 8.2 | 32.9 | 47.9 | 36.2 | 10.2 | 53.6 |
| *Q3 2019* | 476.920 | 42.5 | 57.5 | 8 | 32 | 48.8 | 36.2 | 10.2 | 53.6 |
| *Q1 2020* | 469.850 | 42.6 | 57.4 | 7.6 | 31.4 | 49.3 | 36.1 | 10.3 | 53.6 |
| *Q3 2020* | 486.110 | 43.1 | 56.9 | 8.5 | 31.6 | 48.4 | 36 | 10.3 | 53.7 |

*Source: Statline (2021)*

What has changed over the years, is the gap between Dutch natives and non-Western migrants. That gap has grown consistently, with the fraction of Dutch social assistance benefit recipients decreasing, as opposed to the increased fraction of non-Western social assistance benefit recipients. A possible explanation for this fact is that the share of non-Western migrants as part of the Dutch population has grown over the past five years, from 12.1 to 13.7 per cent. The characteristics of social assistance recipients show three subgroups that are disproportionally represented in the social assistance benefit: females, those aged between 44 and 66, and non-Western migrants. The decrease of total social assistance benefit recipients has not caused the different groups to converge, causing the impression that only certain subgroups have improved their position on the labour market in the past five years. These groups are Dutch natives and individuals aged between 27 and 45. The distribution of men and women in the social assistance benefit has remained stable.

The total outflow of the social assistance benefit is characterised by different trends per subgroup. As seen in Figure 1 below, the total outflow fluctuates per quarter.

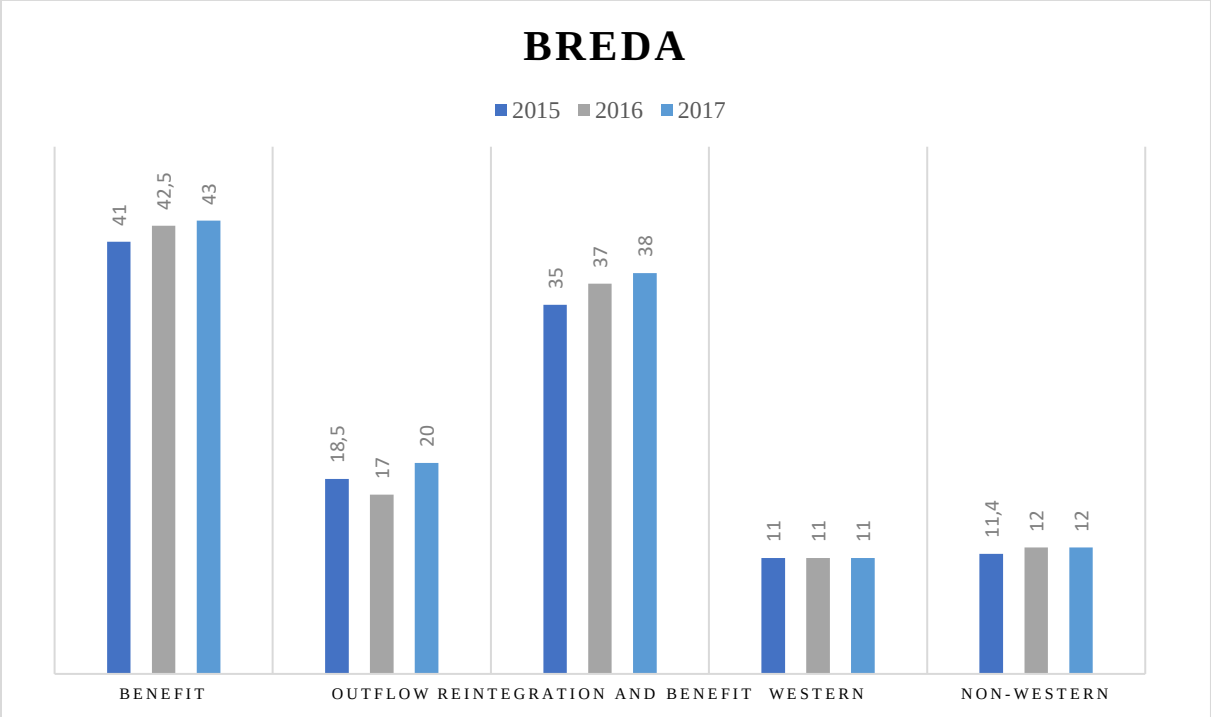
***Figure 1: total outflow of the social assistance benefit per migration background, 2015 to 2020***




*Source: Statline (2021)*

The outflow of Western migrants in the social assistance benefit has remained stable, whereas the other groups are more precarious throughout the years. Remarkably, the total outflow is consistently higher in the third quarter of a year than in the first quarter. The greatest fluctuations are found in the outflow of non-Western migrants. These are national numbers, but when we look at 2015, 2016, and 2017, it shows that within municipalities there are barely any fluctuations. A larger municipality, with over 40.000 residents, a medium-sized municipality with a number of residents between 15.000 and 40.000, and a small municipality with a number of residents below 15.000 show few changes in these three years.

*Figure 2: Characteristics of the municipality Breda, 2015-2017*

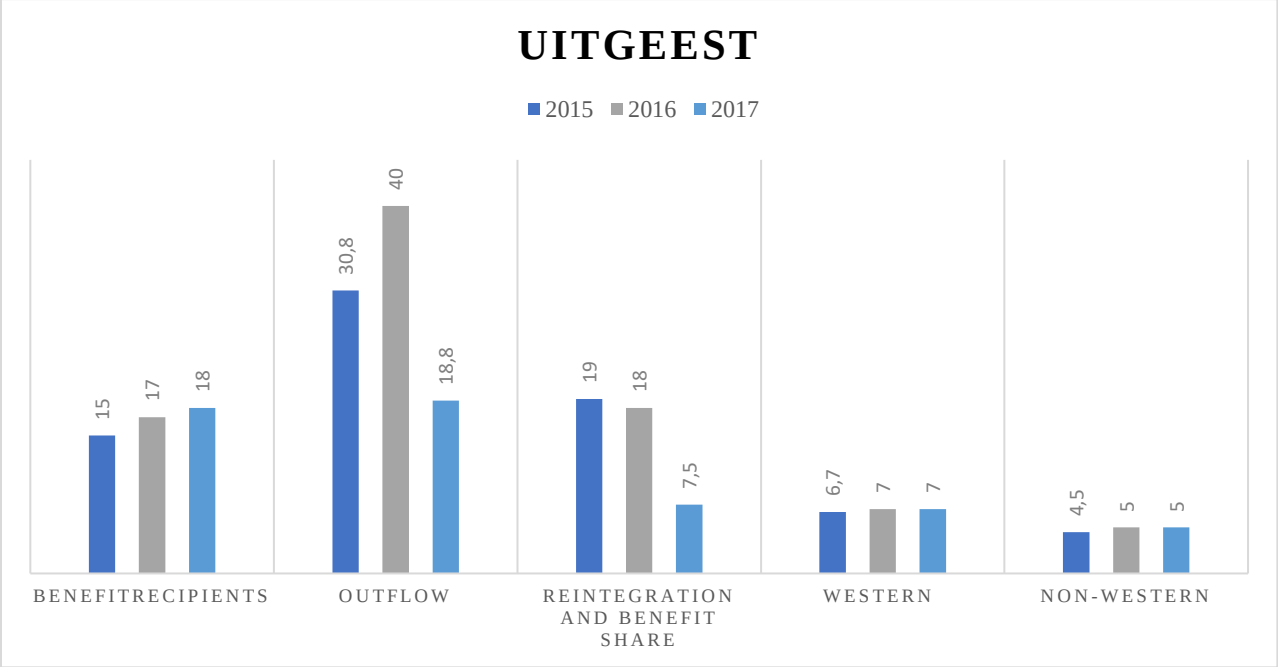



*Source: Statline (2018)*

In Figures 2,3 and 4, the variables of interest are displayed for Breda (122.000 residents), Meppel (21.000 residents) and Uitgeest (8.950 residents). The number of social assistance benefit recipients per 1000 residents, the fraction of the total recipients that exited the benefit that year, the share of benefit recipients that are enrolled in an ALMP, and the fractions of the population with a Western and a non-Western migration background are presented. Breda has a much higher share of individuals with a non-Western migration background than the other two municipalities. Meppel has a significantly higher enrolment of social assistance benefit recipients in ALMPs. Uitgeest has the lowest number of social assistance benefit recipients per 1000 residents. Despite the differences in enrolment in ALMPs and the number of benefit

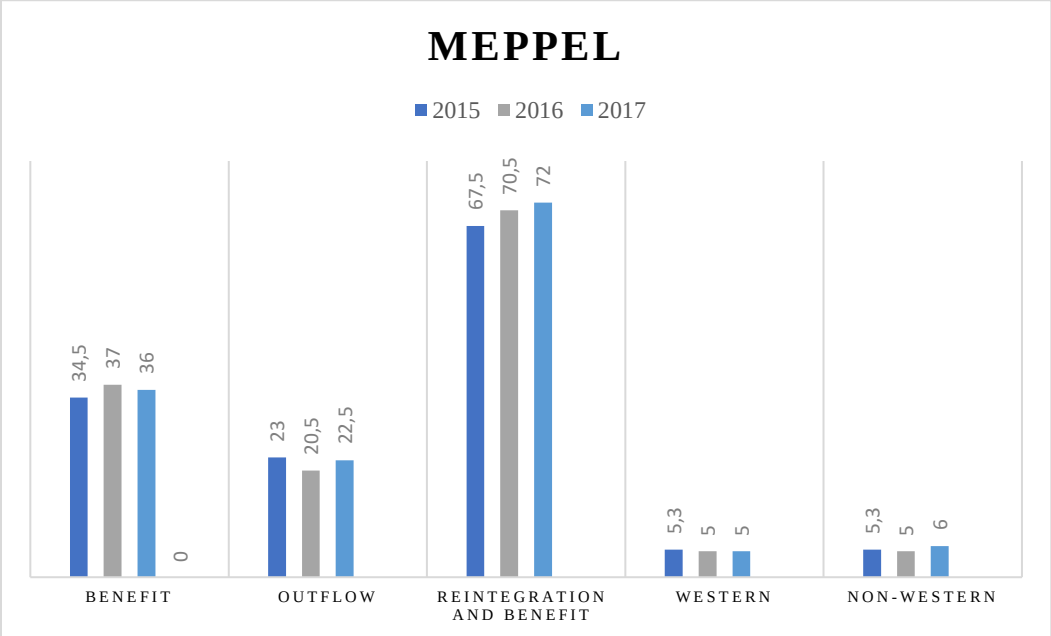
recipients per 1000 residents, outflow in Meppel and Breda is relatively similair all three years: around twenty per cent of all social benefit recipients. Uitgeest fluctuates in the outflow, but also in the share of social assistance benefit recipients that are enrolled in a reintegration instrument.

*Figure 3: Characteristics of the municipality Uitgeest, 2015-2017*




*Source: Statline (2018)*

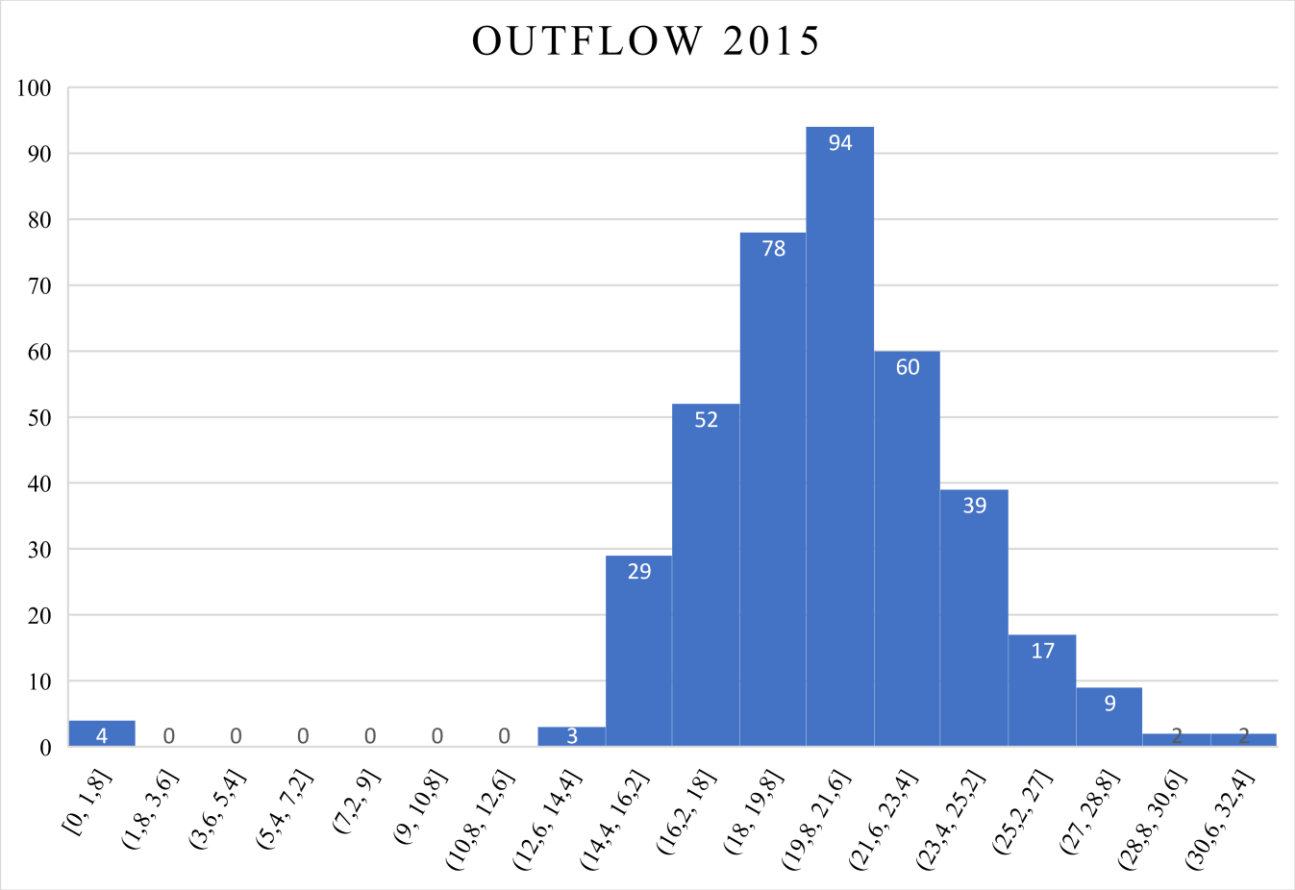
*Figure 4: Characteristics of the municipality Meppel, 2015-2017*



*Source: Statline (2018)*

When looking at all municipalities and the share of outflow in 2015, we see that most municipalities have an outflow percentage of between fifteen and twenty-five. In Figure 5, each bar represents the number of municipalities that had the percentage of outflow displayed on the horizontal axis. The vertical axis represents the number of municipalities. In 2015, 94 out of 388 municipalities had an outflow between 19.8 and 21.6 per cent in 2015. Total outflow did not go past 33 per cent of the social assistance benefit recipients for any municipality.

*Figure 5: Histogram of the outflow in 2015 as the percentage of total social assistance benefit recipients per municipality*



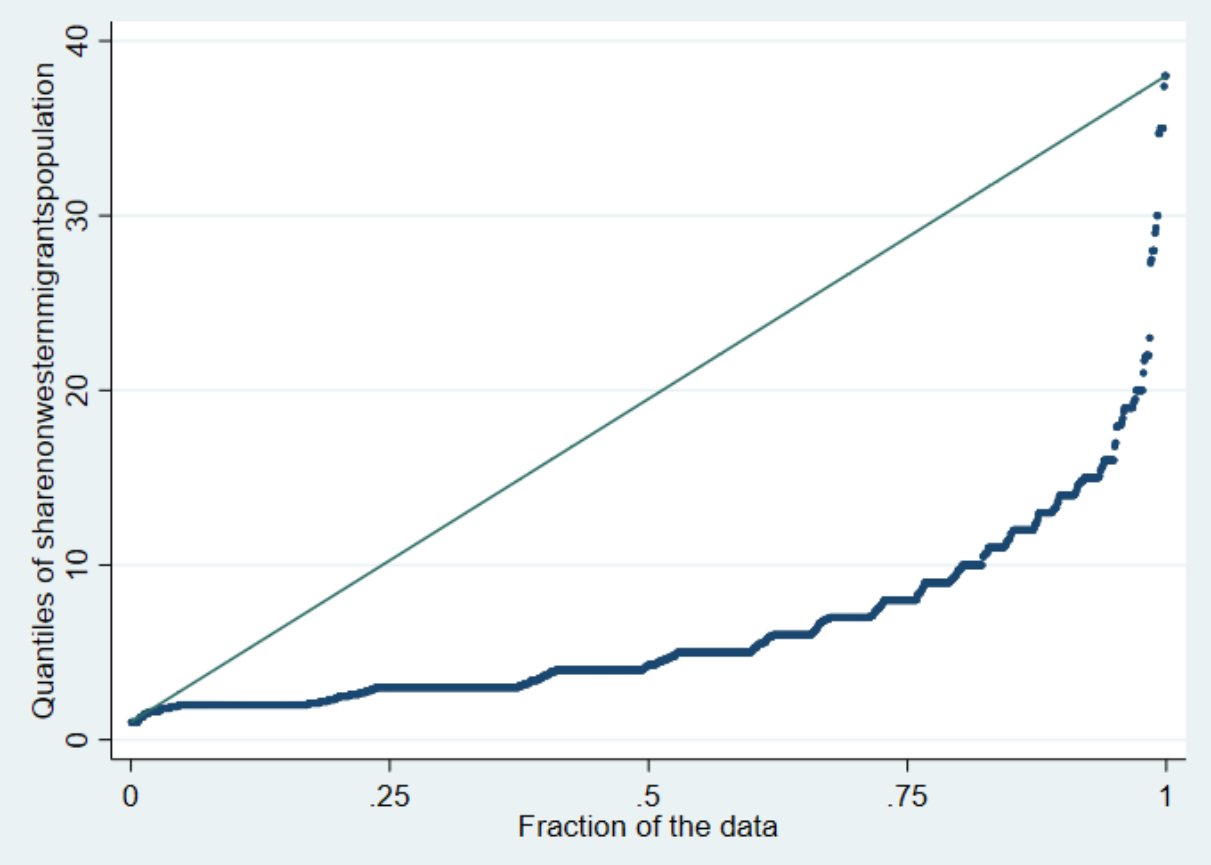

*Source: Statline (2018)*

There is more variation in the other variables than there is for outflow. Municipalities that are close to the border with Belgium and Germany have significantly higher percentages of Western migrants. Municipalities with more than 40.000 residents have a disproportionately high share of non-Western migrants, especially Almere, Amsterdam, the Hague, and

Rotterdam. The correlation between the number of residents and the share of non-Western migrants is 0.69. On the contrary, the correlation between the number of residents and the share of Western migrants is 0.25.

The skewed distribution of individuals with a non-Western migration background can be seen in Figure 6. Over 75 per cent of the municipalities have below ten per cent non-Western migrants among their residents.

*Figure 6: Quantile plot of the share of non-Western migrants in the population per municipality, 2015 to 2017*

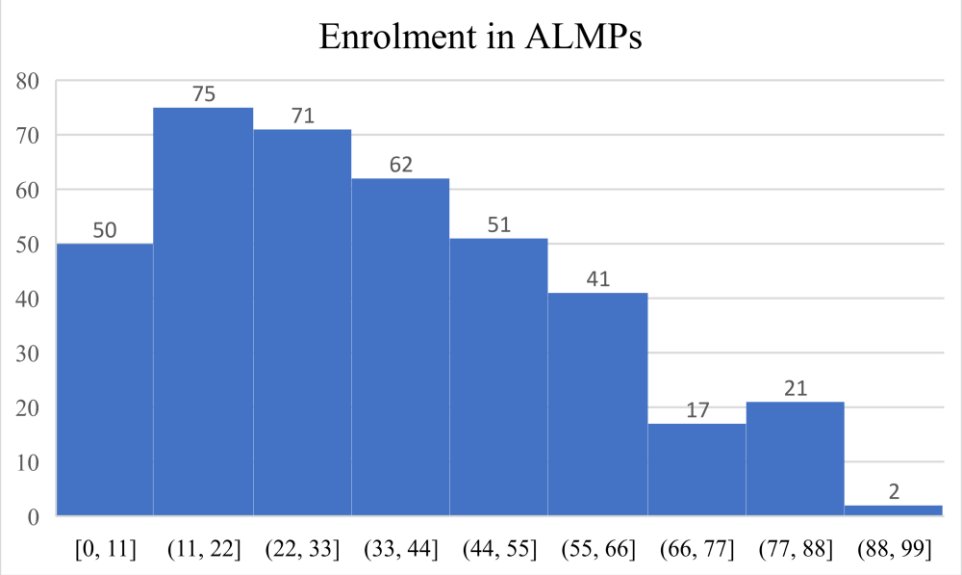



*Source: Statline (2018)*

As for the enrolment in ALMPs, the distribution of municipalities is more divergent than outflow. In 2015, most municipalities had a share of social assistance benefit recipients enrolled in an ALMP between eleven and thirty-three per cent. On the horizontal axis of Figure 7, the share of social assistance benefit recipients enrolled in an AMLP is displayed. Each bar represents the number of municipalities that fit that specific bracket of enrolment. It is an interesting contrast with the relatively uniformly distributed outflow of the social assistance benefit. The number of benefit recipients per 1000 residents is between ten and

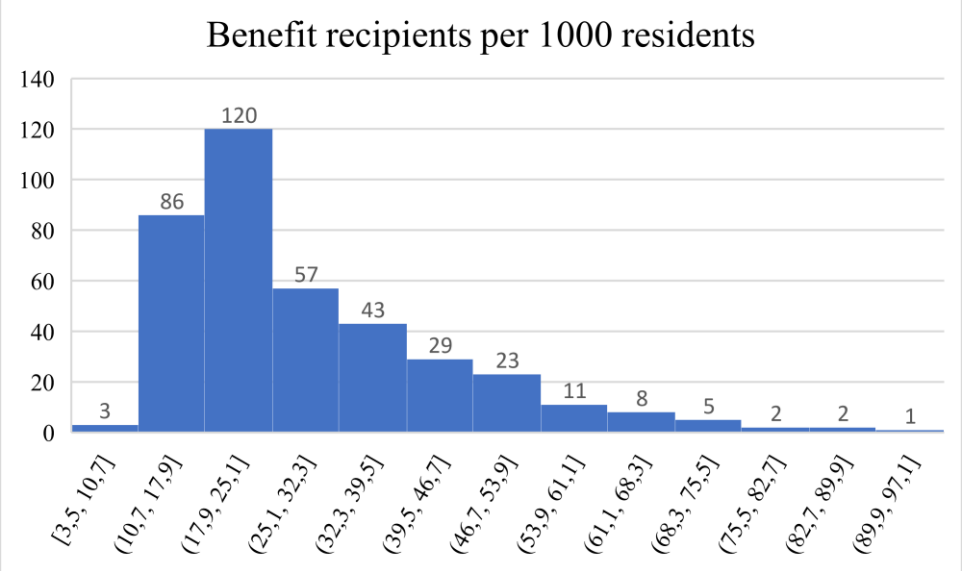
thirty-two for most municipalities, as shown in Figure 8. Again, the horizontal axis represents the number of benefit recipients per 1000 residents, and the bars represent the number of municipalities that fit the bracket of benefit recipients per 1000 residents.

*Figure 7: The enrolment in ALMPs as a percentage of the total number of social assistance benefit recipients per municipality, 2015*




*Source: Statline (2018)*

*Figure 8: Histogram of the number of benefit recipients per 1000 residents per municipality, 2015*




*Source: Statline (2018)*

Figures 5 to 8 show that there are many differences between municipalities. Not correcting for these differences would produce biased results that are not representative for at least part of the Dutch municipalities. Besides the differences that are visible here, such as the migration background of residents, there are countless unobservable differences between these municipalities. As discussed in the previous two sections, the labour market strategy, and preferences for certain ALMPs can be completely active in one municipality, whereas another municipality chose the laissez-faire attitude towards ALMPs (Sebrechts, Kampen, & Tonkens, 2019). Omitted variable bias thus is a huge concern in analysing the relationship between outflow and enrolment in ALMPs. There is also the issue of endogeneity. This means that in this analysis, the outflow of the social assistance benefit to work would impact the enrolment in an ALMP (Collischon & Eberl, 2020). Because the outcome variable is outflow to work and not outflow in general, and the enrolment in ALMPs is only measured for individuals that do receive the social assistance benefit, this risk is decreased. Individuals that have exited the benefit because they found employment, could lower the share of social assistance benefit recipients that are enrolled in an ALMP. But as the number of social assistance benefit recipients decreases, the share of enrolment in ALMPs of these recipients can also increase. This endogeneity, in combination with the differences in municipalities, requires a model that takes these issues into account. Estimating fixed effects as opposed to random effects controls for all unobservable characteristics by only using within-unit variation (Collischon & Eberl, 2020). Since we cannot possibly control for all differences between municipalities, fixed effects are more appropriate.

## Specification of the model

$$\bar{Y}_{it} = \beta_0 + \beta_1 X_{it} + \varepsilon_{it}$$

$\bar{Y}_{it}$ represents the outcome variable, the fraction of the social assistance benefit recipients that exited the benefit that year, with all municipalities and years are taken into consideration. The $_i$ stands for the individual unit of observation, reaching from 1 to 388, each number representing a different municipality. The $_t$ depicts the year in which the observation was made, reaching from 1 to 3, 2015 to 2017. $X_{it}$ is the main explanatory variable, the share of social assistance recipients enrolled in an ALMP, with the $_i$ and $_t$ again representing the year

and municipality. $\beta_0$ depicts the intercept that is specific for each municipality. Finally, $\varepsilon_{it}$ represents the error term for each municipality per year. This model has fixed effects at the municipality level, to control for initial differences between municipalities.

Two more explanatory variables are added in a second equation: the number of benefit recipients per 100 residents, and the total number of residents, noted as $X_{2it}$ and $X_{3it}$ respectively. Again, there are municipality fixed effects to control for unobservable differences between municipalities. The second equation thus is as follows:

$$\bar{Y}_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it}$$

In a second analysis, a third equation is created to implement the explanatory variable of the share of non-Western migrants in the population. If we use the share of non-Western migrants in a municipality as a moderator variable, an interaction term is added to the model. The number of non-Western migrants in a municipality can affect both the enrolment in ALMPs and the outflow to work. An interaction term shows to what extent an increase in the number of non-Western migrants in a municipality changes the effect of enrolment in ALMPs on outflow to work. The advantage of using such an interaction in a model is that with two time-varying, continuous variables, not only the influence of the moderator variable on the outcome variable is measured, but also the influence of the moderator variable on the explanatory variable (Giesselmann & Schmidt-Catran, 2020). Creating the interaction term has the aim to find whether municipalities with a larger share of non-Western migrants among their residents know a different effect of ALMP enrolment on outflow to work. Therefore, I use a cut-off at the mean percentage of non-Western migrants in a municipality. This cut-off is at 6.4 per cent.

$(X_{1it} * X_{4it} > 6.4)$ represents this interaction term in the third equation. $X1_{it}$ is the explanatory variable enrolment in ALMPs as a percentage of the total number of social assistance benefit recipients. $X_{4it}$ is the share of non-Western migrants as a percentage of the total number of residents per municipality per year. I use municipality fixed effects as there are great initial differences between municipalities when it comes to the share of non-Western migrants compared to the total population.

$$\bar{Y}_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 (X_{1it} * (X_{4it} > 6.4)) + \varepsilon_{it}$$

Below, the variables of interest are further explained.

**Research Design**

To analyse which active labour market policies best harmonize non-Western migrants with the Dutch labour market, I use the outflow rate out of social assistance benefits as the outcome variable. I follow Broersma, Edzes and van Dijk (2011) in this choice. These authors used the outflow rate to measure the effectiveness of approaches that were dominant between 1997 and 2007. The goal of the Participatiewet and the accompanying ALMP system is reaching the potential maximum labour participation of individuals (Echtelt, et al., 2019). The extent of effectiveness of instruments is decided by the goal that is set. Important to note for the dependent variable is that outflow of the social assistance benefit does not necessarily mean an individual has found employment. Other reasons to have exited the social assistance benefit is a transfer to the AOW, the Dutch retirement pension, or an individual has moved to a different municipality, where they are registered as new inflow into the social assistance benefit. Marriage, death or migration can also cause an individual to exit the social assistance benefit. Since maximum labour potential is the goal of ALMPs, it is more fitting to use only the outflow that is caused by individuals finding employment, being outflow to work.

The most important explanatory variable is the number of individuals that are enrolled in an ALMP. It is important to note that this data reports the use of an instrument that is ongoing, meaning that at the time of data collection the number of individuals was enrolled in this specific instrument. This variable is measured as the fraction of social assistance benefit recipients that are simultaneously enrolled in an ALMP. Because not only social assistance benefit recipients are enrolled in ALMPs, using all enrolments in ALMPs means that individuals that are not social assistance benefit recipients can influence the results. The mean for 2016 was 36.8 per cent, an absolute number of 332 individuals.

The second explanatory variable is the number of social assistance recipients per 100 residents per municipality. This variable is measured in benefit recipients per 1000 residents but is transformed to benefit recipients per 100 residents (by dividing each observation by ten) to better fit the measurement of the other variables. This variable gives insight into the

situation of a municipality, no matter the size. The reason for adding this variable is the chance that municipalities with a low number of social assistance benefit recipients, might not feel as pressured to increase outflow as a municipality that experiences budgetary pressures because of the high number of social assistance benefit recipients residing in the municipality. The mean of social assistance benefit recipients per 100 residents in 2016 was 2,9. The absolute mean number of social assistance benefit recipients was 1190 individuals per municipality in 2016. It must be noted that a change in benefit recipients can logically influence the percentage of social assistance benefit recipients that flows out to work. The aim of incorporating this variable nonetheless is to find to what extent an increase in the number of benefit recipients affects the outflow to work generally.

As discussed in the first section, the national government bases the method of calculating the height of the BUIG-budget, the funding of the Participatiewet, on the number of residents per municipality. Municipalities with less than 15.000 residents, between 15.000 and 40.000 residents, and above 40.000 residents are the three categories the national government uses to determine the method of calculation (Ministry of Social Affairs and Employment, 2018). If the continuous variable residents is added as a third explanatory variable, we will find whether the relationship between enrolment in ALMPs and outflow to work is affected by the total number of residents in a municipality.

Finally, there is an additional explanatory variable. The variable “share of non-Western migrants compared to the total population” is meant to find whether municipalities with a higher share of non-Western migrants have an on-mean lower or higher outflow, enrolment in ALMPs and benefit recipients per 1000 residents. The mean share of non-Western migrants in a municipality was 6,3 per cent in 2016, opposed to 8 per cent of the population that has a Western migration background. There are three general categories for the migration background of an individual in the Netherlands. First, there are those with a Dutch background, meaning both their parents and the person themselves were born in the Netherlands. The second category is the Western migration background, which consists of individuals who were not born in the Netherlands, but in a different country that is classified as Western. This also applies to one, or both of their parents. The places of birth that are classified as Western are North America, Oceania, Japan, Indonesia and all European countries except Turkey. The third category consists of non-Western migrants, that is, individuals who were born in any other country, or an individual of which one or both parents

were born in any other country than those classified as Western (Statistics Netherlands, 2021). So, the migration background of an individual is not just determined by their place of birth, but also by that of their parents. Within the group of non-Western migrants residing in the Netherlands, the most represented backgrounds are Turkish, Moroccan, Surinamese and Antillian. Among the Western migrants, the Indonesian, German and Polish origins are most common (Statistics Netherlands, 2021). Because this analysis aims to find whether municipalities with high numbers of non-Western migrants have a different relationship between enrolment in ALMPs and outflow to work, adding migration background to the model will answer that question.

To summarize, this analysis will estimate the relation between the outcome variable, outflow of the social assistance benefit to work, and the explanatory variables that measure enrolment in an ALMP, the number of social assistance benefit recipients per 100 residents and the total number of residents. Additionally, the share of non-Western migrants, per municipality, is implemented through an interaction effect with the explanatory variable enrolment in ALMPs.

Figures 9 to 11 show that the correlation between the outcome and the explanatory variables is extremely weak. Increased enrolment in ALMPs does not seem to cause a higher outflow to work. Numerically, the correlation is slightly positive at 0.1343. The correlation between outflow to work and the number of social assistance benefit recipients per 100 residents is negative at -0.1149. The share of non-Western migrants residing in a municipality is negatively correlated with the share of social assistance benefit recipients that flow out to work, at -0.1216. This tells us that the relationship that is investigated is weak at best. This does not mean it is a relationship not worth investigating

*Figure 9: Scatterplot of the outflow rate to work and the share of benefit recipients enrolled in an ALMP, 2015-2017*

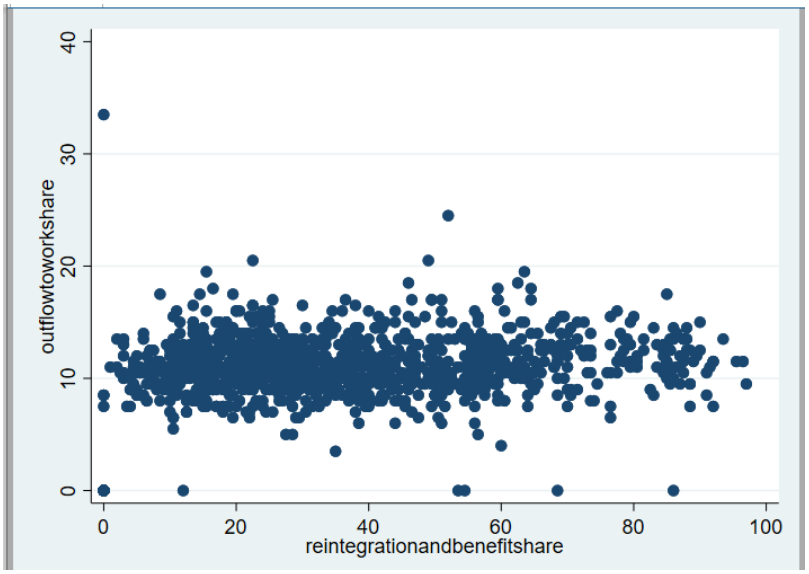



*Figure 10: Scatterplot of the outflow rate to work and the number of benefit recipients per 100 residents, 2015-2017*

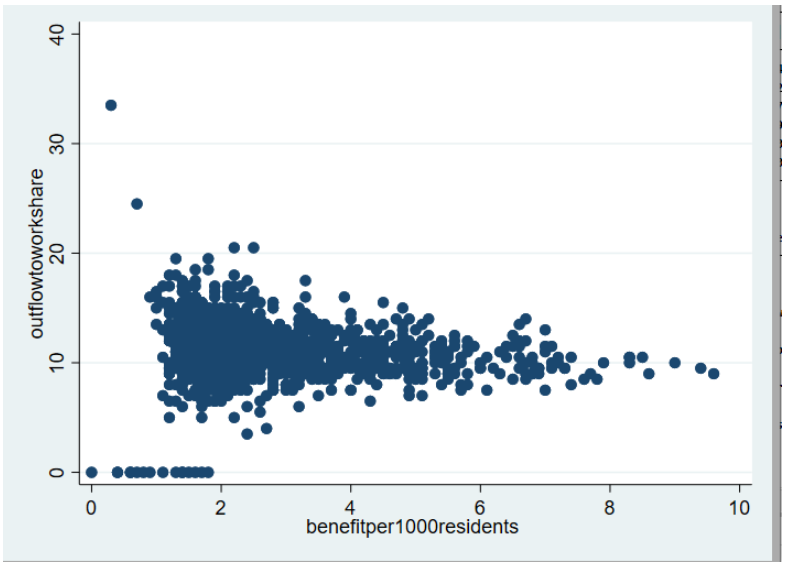
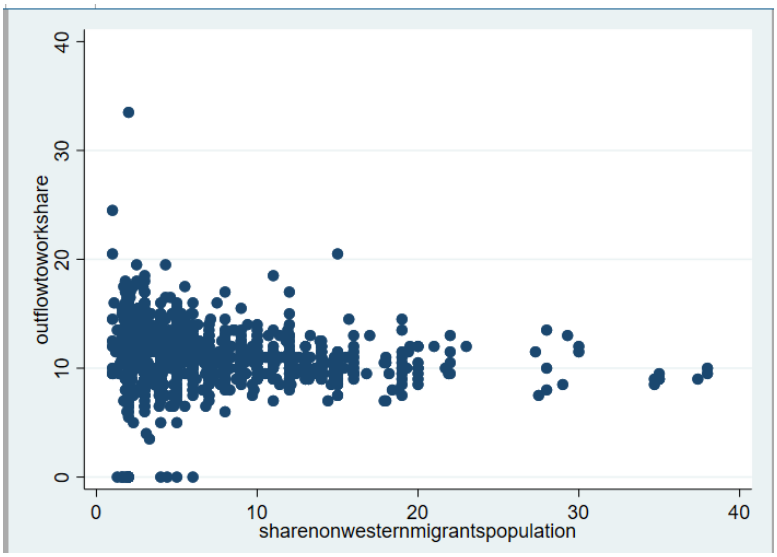


*Figure 11: Scatterplot of the outflow rate to work and the share of non-Western migrants in a population, 2015-2017*

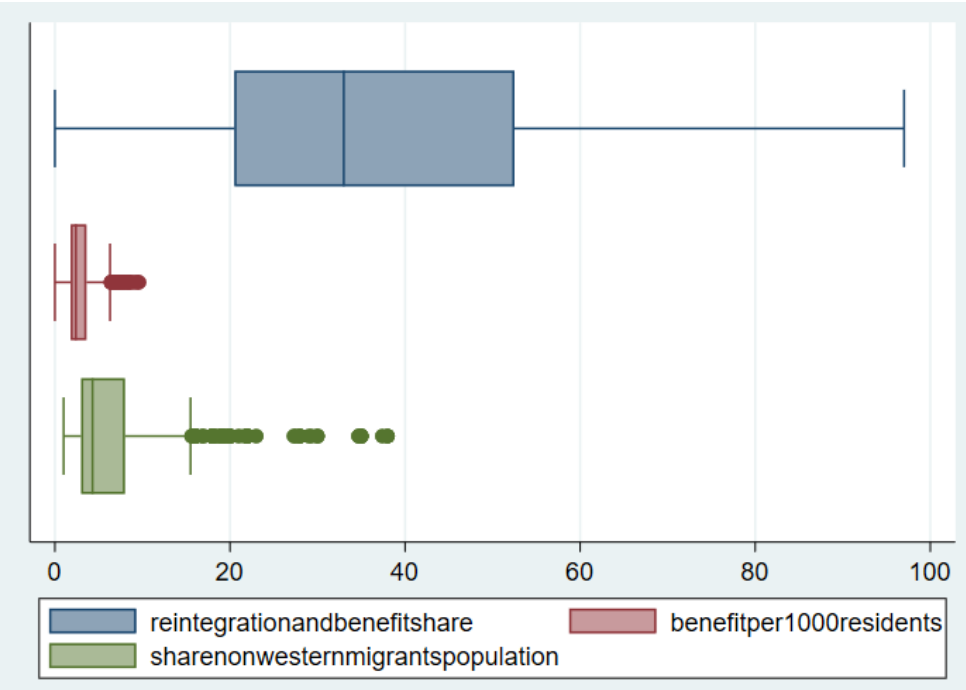



Because we have a large sample size with over 1100 observations spread out over three years and 388 municipalities and considering the societal relevance of gaining more insight into the relationship between outflow to work, enrolment in ALMPs, and most importantly the share of non-Western migrants residing in a municipality, the relationship is worth investigating. However, it should be considered that many other unobservable factors are influencing the outcome variable.

Outliers are uncommon in the data of share of benefit recipients enrolled in AMLPs and the number of benefit recipients per 100 residents. However, there are some municipalities with a significantly larger share of non-Western migrants. As the mean share of non-Western

migrants in a municipality is 6.4 per cent and some large cities have a share of more than thirty per cent.

*Figure 12: Boxplot of the explanatory variables, 2015 to 2017*




These outliers are natural, meaning that they cannot be discarded as they are a depiction of the true situation in Dutch municipalities. Removing them would underestimate the effect of the share of non-Western migrants on the outflow to work and bias the results. To look beyond these outliers, the number of residents is made part of the analysis to find whether the relationship between enrolment in ALMPs, outflow to work, and share of non-Western migrants is different depending on the size of the municipality. But since the share of non-Western migrants is the fraction of only the residents within the municipality, this will only show whether the size of the municipality influences the share of non-Western migrants residing in the municipality. The number of residents and share of non-Western migrants is highly correlated at 0.6951, so we can assume that the size does matter. It is another example of how diverse municipalities are. By estimating fixed effects as opposed to random effects, the disproportional influence of outliers is avoided (Collischon & Eberl, 2020).

## Validity

Before I present the results of the regression, it is necessary to first reflect on the validity of this research design. I do so using guidelines set up by Dimiter Toshkov (2016). Most importantly, the variables and the way they are measured must be representative of the concepts I attempt to link in this research, described by Toshkov (2016) as 'face validity'. The concept of effective active labour market policy is operationalized as the outflow of the social assistance benefit, to work. The objective of the Dutch government, increasing each individual's labour participation to their maximum potential (Echtelt, et al., 2019) , shows a focus on less reliance on social assistance benefits. As an outflow of the social assistance benefit can also be caused by migration, marriage, death, or reaching the retirement age, general outflow cannot be a measurement of the effectiveness of ALMPs. Therefore, it is appropriate to measure the effectiveness of enrolment in ALMPs by tracking the outflow of people that have received the social assistance benefit. To test if this is the case, section 5.1 will show the regression results if the general outflow is the outcome variable.

A risk of oversimplification is present in the categorisation of migration backgrounds. Within non-Western, Western and Dutch groups there are numerous differences in language, culture, and quality of education. As migration background is partly determined by the parents' place of birth, a non-Western migrant could be an individual that has lived in the Netherlands for a few years or their entire life. The risk of seeing the groups of Dutch natives, Western migrants and non-Western migrants as uniform groups, as black boxes, is present in this research design. Possible confounding variables such as level of education or marital status are left out of the equation. The list of indicators that the national government uses to decide on the funding for the Participatiewet per municipality, do not include specific characteristics for migrants, besides the place of birth, either. Although it would be interesting to find whether a factor as the education level of migrants changes the relationship between enrolment in ALMPs and outflow to work, data on these characteristics of migrants are unavailable at the municipality level.

Another challenge in this research that relates to measurement is the freedom granted to municipalities when it comes to choosing ALMPs. As discussed in the second section, there are several attitudes Dutch municipalities maintain towards social assistance recipients. Since the differences between Dutch municipalities are countless, from size to location to median income, and there are only a few municipalities that report enrolment in ALMPs per migration

background, comparing all municipalities is not an option. Using a fixed-effects model is a way to compensate for the differences between municipalities.

Using fixed effects, and especially for such a limited period, three years comes with its limitations. As mentioned before, any time-invariant characteristics are omitted. Municipalities fusing or disappearing slightly limits the number of units of observation, decreasing the explanatory power of the model. The limited period of analysis also decreases the explanatory power of the model, as some changes move slowly. The share of non-Western or Western migrants in a municipality is such a factor that is not likely to radically change in a year. The most important limitation of this research is the external validity. The limited period of analysis, the omitted time-invariant characteristics, and the diversity of municipalities require that generalization of the results to the entire population or the general effectiveness of ALMPs must be made very carefully.

# 5. Results

In this section, I will present and discuss the most important results from the analysis of the relationship between migration background, the outflow of the social assistance benefit to work and the enrolment in ALMPs. In the previous section, the data showed only a weak correlation between enrolment in ALMPs and outflow to work. This section aims to estimate to what extent an increase of the share of the social assistance benefit recipients enrolled in an ALMP increases the share of social benefit recipients that exited the benefit due to finding employment. By adding more explanatory variables, other influential factors for the outflow to work are investigated. Section 5.1 will consist of a general estimation of the relationship between the outflow of the social assistance benefit and enrolment in ALMPs, without taking migration background into account. In section 5.2, the results of the relationship between the outflow of the social assistance benefit, enrolment ALMPs, and specific migration background will be discussed. Finally, section 5.3 will reflect on the robustness of the results found.

## 5.1 General results

A fixed-effects panel regression is presented in table 2 for the years 2015 to 2017. Shown below, the estimated coefficient for the share of benefit is small at 0.0069, meaning that an increase of one per cent of the benefit recipients enrolled in an ALMP, increases the share of benefit recipients that have flown out to work with only 0.0069 percentage points. Furthermore, the effect found is statistically insignificant.

***Table 2: Panel fixed effects regression results on outflow percentages, 2015 to 2017***

| | **Estimate** | **Robust std. error** |
|---|---|---|
| **Share of social assistance benefit recipients enrolled in an ALMP** | 0.0069 | 0.0072 |
| **Constant** | 10.823 *** | 0.2681 |
| **$R^2$** | | |
| *Within* | 0.0009 | |

| | |
|---|---|
| *Between* | 0.0330 |
| *Overall* | 0.0180 |
| **Prob > F** | 0.3375 |

*The dependent variable is the outflow of the social assistance benefit to work. Significance of results expressed at the 1% level (***),5% level (**) or 10% level, (*)*

The corresponding R-squared values show that the explanatory power of the model is small. The explanatory power within the municipalities is only 0.0009, meaning 0.09 per cent of the variation in the outcome variable can be explained by this model. The R-squared values between the municipalities and for the overall model are low as well, at 3.3 and 1.8 per cent of the variation being explained by the model respectively. Moreover, the F-statistic is insignificant at 0.3375. An insignificant F-probability, in this case, means that the dependent variable cannot reliably be explained by the independent variables in the model. The lack of a significant relationship between enrolment in ALMPs and outflow to work is in line with the theoretical conviction that the general effectiveness of ALMPs is low and dependent on multiple factors (Broersma, Edzes, & Dijk, 2011; Escudero V., 2018; Butschek & Walter, 2014; Vooren, Haelermans, Groot, & Brink, 2018).

In Table 3, two additional explanatory variables are added: the number of benefit recipients per 100 residents and the total number of residents. The estimated coefficient for the number of benefit recipients per 100 residents is negative and significant at -4.123. This means that an increase of 1 in the number of benefit residents per 100 residents, leads to a decrease of 4.12 percentage points of benefit recipients flowing out to work. The explanatory power of the model within each municipality has increased to 6.4 per cent. This means that a rise in the number of benefit recipients in a municipality significantly affects the percentage of social assistance benefit recipients that flow out to work, as expected.

A further specification can be made concerning the size of municipalities. The national government distinguishes the method of determining funding for municipalities based on the number of residents. An increase in the number of residents has no significant impact on the outflow of the social assistance benefit to work, as the estimated coefficient for the total number of residents is not only extremely close to zero but also statistically insignificant.

***Table 3: Panel fixed effects regression results on outflow percentages, 2015-2017***

| | **Estimate** | **Robust std. error** |
|---|---|---|
| **Share of social assistance benefit recipients enrolled in an ALMP** | 0.009 | 0.007 |
| **Benefit recipients per 100 residents** | -4.123*** | 0.548 |
| **Residents** | -0.00005 | 0.00003 |
| **Constant** | 24.185*** | 1.950 |
| **$R^2$** | | |
| *Within* | 0.0647 | |
| *Between* | 0.0236 | |
| *Overall* | 0.0155 | |
| **Prob > F** | 0.000 | |

*The dependent variable is the outflow of the social assistance benefit to work. Significance of results expressed at the 1% level (***),5% level (**) or 10% level, (*)*

The corresponding R-squared values show that the explanatory power of the model is small. The explanatory power within the municipalities is again only 0.0647, meaning that 6.47 per cent of the variation in the outcome variable can be explained by this model. The R-squared values between the municipalities and for the overall model are low as well, at 2.36 and 1.55 per cent of the variation being explained by the model respectively.

The share of general outflow is higher than the share of social assistance benefit recipients that flow out because of work. Per comparison, if the outcome variable is all outflow of the social assistance benefit as the fraction of all social benefit assistance recipients per municipality, as opposed to outflow to work, both estimated coefficients are inflated, yet the coefficient for enrolment in ALMPs is still statistically insignificant.

***Table 5: Panel fixed effects regression results on outflow percentages, 2015-2017***

| | **Estimate** | **Robust std. error** |
|---|---|---|
| **Share of social assistance benefit recipients enrolled in an ALMP** | 0.020 | 0.018 |
| **Benefit recipients per 100 residents** | -15.625*** | 1.584 |
| **Constant** | 71.660*** | 4.613 |
| **$R^2$** | | |
| *Within* | 0.1323 | |
| *Between* | 0.0194 | |
| *Overall* | 0.0141 | |
| **Prob > F** | 0.000 | |

*The dependent variable is the outflow of the social assistance benefit. Significance of results expressed at the 1% level (***),5% level (**) or 10% level, (*)*

So far, we found only a weak, insignificant relationship between outflow to work and enrolment in ALMPs. The number of benefit recipients per 100 residents does have a stronger, significant, and negative relationship with outflow to work. An increase in the number of benefit recipients per 100 residents leads to a decrease in the percentage of total benefit recipients that flow out to work that year. Overall, the explanatory power of these models is weak, meaning that only a small part of the variance can be explained by the relationship at the centre of this analysis. Throughout this thesis, a focus is put on the position of migrants in the labour market. As discussed throughout the first and second sections, non-Western migrants traditionally have a greater distance to the labour market than natives and Western migrants. To find whether this affects the relationship between enrolment in ALMPs and outflow to work, a second analysis incorporating migration background is discussed in the following section.

## 5.2 Migration background

Non-Western migrants are disproportionally represented in the social assistance benefit, as the largest group among the three categories of migration background (Dutch, Western, and non-

Western) with a share of the total number of social assistance recipients of 48.7 per cent in the first quarter of 2015, a fraction that had grown to 52 per cent in the third quarter of 2017. Western migrants, contrastingly, have a constant share of around ten per cent of the total social assistance benefit recipients. As with the total number of residents, the national government uses the number of individuals with a migration background in a municipality as an indicator when calculating the height of the BUIG-budget. The expectation is that the integration of the labour market of non-Western migrants is more challenging than that of Western and Dutch individuals. In this section, this expectation is tested by finding what the implementation of the share of individuals with a non-Western migration background in a municipality does to the relationship between enrolment in ALMPs and the outflow to work.

The share of non-Western migrants is added to the regression of the central relationship of outflow to work and enrolment in ALMPs as an interaction term. As discussed, the cut-off for this interaction term is the mean percentage of non-Western migrants in a municipality, at 6.4 per cent. So, the interaction effect presented in Table 4 represents a slightly negative effect of an increase in the share of non-Western migrants in municipalities with a fraction of non-Western migrants over 6.4 on the relationship between enrolment in ALMPs and outflow to work. However, this effect is statistically insignificant.

***Table 4: Panel fixed effects regression results on outflow percentages, 2015-2017***

| | **Estimate** | **Robust std. error** |
|---|---|---|
| **Share of social assistance benefit recipients enrolled in an ALMP** | 0.011 | 0.008 |
| **ALMP enrolment*migration background (>6.4 percent)** | -0.004 | 0.008 |
| **Benefit recipients per 100 residents** | -4.121*** | 0.549 |
| **Number of residents** | -0.00005 | 0.000 |
| **Constant** | 7.553*** | 2.431 |
| **$R^2$** | | |
| *Within* | 0.0648 | |
| *Between* | 0.0239 | |
| *Overall* | 0.0157 | |
| **Prob > F** | 0.000 | |

*The dependent variable is the outflow of the social assistance benefit to work. Significance of results expressed at the 1% level (***),5% level (**) or 10% level, (*)*

However, as the period of the analysis is so short and the demographic composition of a municipality is not likely to change substantially in a year, these results do not mean there is no strong effect for migration background in the longer term. Yet even without considering the differences between municipalities, there is no strong relationship found between non-Western migrants in a municipality and the outflow to work. The two variables are correlated negatively at -0.1216.

Another cut-off point for the share of non-Western migrants can be used, as opposed to the mean number of non-Western migrants. As the share of non-Western migrants ranges between zero and forty per cent throughout the Netherlands, another cut-off point can be twenty per cent. The interaction effect then is measured only for municipalities with a population that is made up out at least twenty per cent non-Western migrants. In Table 5, the results for this interaction term are presented. As opposed to the interaction effect for municipalities with over 6.4 per cent non-Western migrants among their population, the interaction effect with a cut-off of twenty per cent is positive and significant. Only 16 out of 388 municipalities have a fraction of over twenty per cent of non-Western migrants in their population.

***Table 5: Panel fixed effects regression* results*, 2015-2017***

| | **Estimate** | **Robust std. error** |
|---|---|---|
| **Share of social assistance benefit recipients enrolled in an ALMP** | 0.009 | 0.007 |
| **ALMP enrolment*migration background (>20 percent)** | 0.020** | 0.007 |
| **Benefit recipients per 100 residents** | -4.123*** | 0.548 |
| **Number of residents** | -0.00006 | 0.000 |
| **Constant** | 24.373*** | 1.959 |
| **$R^2$** | | |
| *Within* | 0.0648 | |
| *Between* | 0.0236 | |
| *Overall* | 0.0155 | |

| | |
|---|---|
| **Prob > F** | 0.000 |

*The dependent variable is the outflow of the social assistance benefit to work. Significance of results expressed at the 1% level (***),5% level (**) or 10% level, (*)*

As clearly visible throughout this section, the explanatory power of the model is low. These results do not give any indication as to increased outflow to work as a result of increased enrolment in an ALMP. The absence of a clear difference in effectiveness confirms the initial weak correlation the data showed. However, the goal of this analysis is to find whether there are significant differences between subgroups, especially between migration backgrounds. There, we find that for municipalities with a share of non-Western migrants in their population of over 6.4, there is a negative but insignificant interaction with enrolment in ALMPs and outflow to work. To clarify, these results do not mean that there is no relationship between enrolment in ALMPs and the outflow of the social assistance benefit to work. The results do indicate that the relationship between enrolment in ALMPs and outflow to work is weak and inelastic. Small changes in enrolment in ALMPs or fractions of individuals with a migration background do not significantly change the percentage of social assistance benefit recipients that flow out to work in the short term. There is a negative and significant relationship between the number of benefit recipients per 100 residents and the outflow to work, indicating that increased pressure on municipalities with the number of benefit recipients leads to a lower outflow to work.

The concluding section of this thesis will compare the results of the analysis to the previously discussed theory and the accompanying hypotheses. Finally, I will reflect on the shortcomings and implications of this research. But first, section 5.3 will reflect on the robustness of these results.

## 5.3 Robustness

After estimating the two models, it is important to test the assumptions part of these models. The differences between municipalities have been emphasised continuously throughout the first part of this research. All instruments are offered by the municipality a social assistance benefit recipient resides in. There are many unobserved differences between municipalities that cannot be included in the model, such as availability of instruments, demographic composition, and quality of the instruments offered, that can impact the enrolment in ALMPs

of social assistance benefit recipients and the effectiveness of the enrolment. To correct for these unobservable differences, fixed effects are more appropriate than random effects. A fixed-effects model corrects for these time-invariant differences between municipalities (Collischon & Eberl, 2020). The Durbin-Wu-Hausman test shows us whether the estimates significantly differ when using random effects and a fixed-effects model. The outcome of the Durbin-Wu-Hausman test with the data is $chi2(2) = 46.09$, with a p-value of 0.000. This means the null hypothesis of no systematic differences between the random effects and fixed effects models is rejected and fixed effects are a better fit for the data (Hausman, 1978). Running the same model with random effects instead of fixed effects gives the estimates presented in Table 6, that are different from the estimates in Table 4.

***Table 6: Random effects regression results on outflow percentages, 2015-2017***

| | **Estimate** | **Robust std. error** |
|---|---|---|
| **Share of social assistance benefit recipients enrolled in an ALMP** | 0.005 | 0.005 |
| **ALMP enrolment*migration background** | -0.009* | 0.004 |
| **Benefit recipients per 100 residents** | -0.172** | 0.074 |
| **Number of residents** | -0.00000 | 0.000 |
| **Constant** | 11.127*** | 0.393 |
| **$R^2$** | | |
| *Within* | 0.0054 | |
| *Between* | 0.0554 | |
| *Overall* | 0.0337 | |
| **Prob > F** | 0.000 | |

*The dependent variable is the outflow of the social assistance benefit to work. Significance of results expressed at the 1% level (***),5% level (**) or 10% level, (*)*

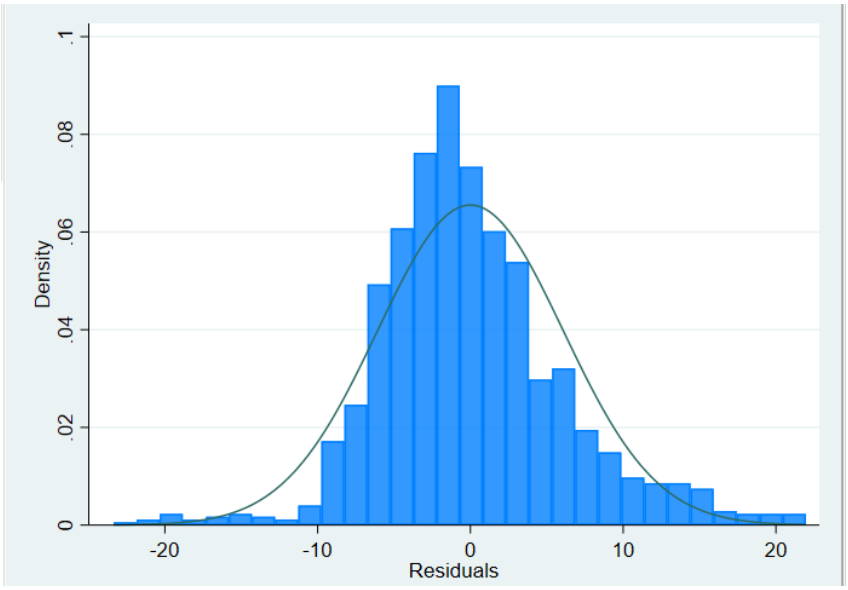
Due to the availability of data, there are only three observations per municipality. The fixed-effects model measures the changes within groups over time (Collischon & Eberl, 2020), in this case for municipalities over three years. More observations would increase the representativity of the model, as it is understandable that the demographic composition of migration backgrounds within a municipality is not likely to change radically within a year or two. This must be taken into consideration when interpreting the results of the analysis. By

choosing fixed effects over random effects, time-invariant variables that do not change over the years are automatically removed from the model (Mummolo & Peterson, 2018).

Homoscedasticity, a normal variance in the error term, can be easily tested with the Breusch–Pagan test. Testing the 2015-2017 model for possible heteroskedasticity in Stata shows that the null hypothesis of constant variance is violated, with $chi2(1) = 22.05$ and a p-value of 0.000 ( $Prob > chi2 = 0.0000.$ ) Therefore the no heteroskedasticity-assumption is violated. Not correcting for heteroskedasticity can lead to not only biased standard errors but statistically insignificant estimates as well (Kaufman, 2013). Heteroskedasticity is an unknown variance in the residuals of the regression that can bias standard errors. Using robust standard errors can correct for this heteroskedasticity (Kaufman, 2013).

The errors in the model are normally distributed, as presented in graph seven. We also find no auto- or serial correlation in the data, with a Woolridge test that examines the presence of autocorrelation in panel data. The test is insignificant ( $F( 1, 380) = 0.012, Prob > F = 0.9125$) meaning the null hypothesis of no autocorrelation cannot be rejected.

*Figure 12: The distribution of the residuals, 2015-2017*




As the last test of assumptions for using a linear regression model, multicollinearity must be controlled for. Multicollinearity occurs when the explanatory variables are highly correlated, and it can bias the standard errors of the estimates. To control for multicollinearity, a variance inflation factor test (VIF) is carried out. This test analyses the extent of how ell an explanatory variable is explained by the other explanatory variables in the model (Giacalone, Panarello, & Mattera, 2018). The model for 2015 to 2017 has a relatively low mean VIF of 1.34, meaning

the assumption of no (perfect) multicollinearity is met (Giacalone, Panarello, & Mattera, 2018).

To summarize, the relationship that is at the centre of this analysis is only slightly positively correlated. However, there is a linear relationship between the outcome variable and the explanatory variables. By adding other explanatory variables besides just enrolment in ALMPs, there is a chance to gain more insight as to why the relationship between outflow to work and enrolment seems so weak. Because there are so many unobservable differences between municipalities, there is a great risk of omitted variable bias. Using a fixed-effects model, as opposed to random effects, uses only within-group changes over time to estimate the relationship between outflow to work and enrolment in ALMPs. The outcome of the Durbin-Wu-Hausman test supports this choice. To correct for the heteroskedasticity in the data robust standard errors were used. The observations that followed this analysis are interpreted in the concluding section of this thesis.

# 6. Conclusion

Although income protection and active labour market policies have both changed radically and altered numerous times, there are still enormous challenges in harmonizing demand and supply on the Dutch labour market. Before the Covid-19 pandemic, Dutch unemployment was at a historically low point, its lowest since the Second World War (Julen, 2020). Yet there are still several groups among the population that are disproportionally represented in social assistance benefit statistics. Especially the position of non-Western migrants is yet to be improved. ALMPs are an attractive route to achieve further harmonisation, but for this route to be successful it is necessary to gain insight into the effectiveness of current ALMPs, and if they work for non-Western migrants. And when none of the existing ALMPs is effective to the extent that a government or a country finds it sufficient, alternatives should be explored. This thesis aimed to gain insight into existing ALMPs instruments in the Netherlands. Municipalities have the responsibility to pay out benefits to their residents and are also responsible for decreasing the number of individuals that receive benefits. ALMPs are a much-discussed option to re-integrate individuals into the labour market. But to what extent does enrolment in ALMPs increase the outflow of the social assistance benefit, especially outflow to work? The analysis done to answer this question is restricted to just three years, which means that the effects found are short term effects. A longer analysis is complicated by changes in the collection and reporting of data by Statistics Netherlands.

Not only have I attempted to contribute to the question of the general effectiveness of ALMPs, but this analysis is also meant to provide insight into the debate about the position of migrants in the labour market. On one hand, previous research has found wage subsidies, a competitive active labour market approach, to be most effective for all individuals that receive the social assistance benefit (Butschek & Walter, 2014). On the other hand, since the distance between natives and the labour market is generally smaller than the distance between migrants and the labour market, a level-playing field requires improving the position of non-Western migrants as outsiders on the labour market (Auer & Fossati, 2020). This debate illustrates uncertainty about whether the effectiveness of ALMPs differs per group.

The analysis of 2015, 2016, and 2017 shows an incredibly small and insignificant effect of enrolment in ALMPs on outflow. Changes in the values of the explanatory variables only slightly affect the outcome variable. A fixed-effects regression has shown no significant effect

of enrolment in ALMPs on the outflow of the social assistance benefit, as well as no significant effect on outflow to work specifically. The analysis conducted showed that the relationship between outflow and enrolment in ALMPs is not a strong, straightforward one. Omitted variable bias, in this case, shows that simply increasing enrolment in ALMPs is not enough to increase outflow to work in the long term. It strengthens the theoretical conviction that the effectiveness of ALMPs depends on a range of factors, such as policy continuity, strategy, and offering the right instruments to the right subgroups (Escudero V. , 2018).

However, the insignificance of the results for enrolment in ALMPs is in line with observations that only about half of all social assistance benefit recipients are enrolled in an ALMP, and that in large cities such as the Hague and Rotterdam, most people that exit the benefit were not enrolled in an ALMP. This also aligns with the conclusion drawn by Broersma, Edzes and van Dijk (2011), who found that one extra individual flowing out of the social assistance benefit would require fifty extra classes or sheltered jobs. The relation between the outflow of the social assistance benefit and ALMP enrolment is weak at best. So, based on these results we cannot reject the null hypothesis that outflow to work and enrolment in ALMPs are unrelated.

H1, higher enrolment in ALMPs decreases the outflow of the social assistance benefit to work as a municipality has a higher share of non-Western migrants when compared to the general population of social assistance benefit recipients, is rejected. The expectation of lower effectiveness as the share of non-Western migrants increases was based on the conviction that migrants have a greater distance to the labour market, impacting their labour market performance and thereby complicating the reintegration of migrants into the labour market. Based on these results, there is no short-term, elastic relationship between the share of non-Western migrants and outflow to work. Including the interaction effect of migration background and enrolment in ALMPs in the regression had a statistically insignificant and negative effect on outflow to work. It must be noted that a possible explanation for the insignificance of the results is the rough estimation method for a weak relationship. We can only conclude that short-term and small changes in the share of non-Western migrants in a municipality do not impact the outflow to work through enrolment in ALMPs. As the disproportionate representation of non-Western migrants in the social assistance benefit remains, these results show no indication that current ALMPs are effective for migrants and can solve this disproportionate representation.

The fixed-effects model considered the differences between municipalities. These differences do not only encompass unobservable characteristics such as education level, the specific migration background of the individuals in the social assistance benefit, and the type of ALMP the benefit recipients are enrolled in. Most importantly, strategy can differ per municipality, as Sebrechts, Kampen and Tonkens (2019) identified. As discussed, the authors define four ALMP-regimes. The activating regime is characterised by many rights and many obligations. The second regime is a facilitating regime, consisting of many rights but fewer obligations. A sanctioning regime has fewer rights and more obligations. The fourth is a 'laissez-faire' regime that has few rights or obligations. Municipalities can choose their strategy, meaning we are unsure which approach each municipality has chosen, and whether it has been continuous throughout the years. Therefore, these results are 'within' municipalities, meaning that the estimate only considers the differences between the three years per municipality. The strength of the effect might differ per municipality, but the average effect balanced for differences between municipalities is small and not significant. This conclusion is strengthened by the low overall R-squared values, that range between one and six per cent. Even for the overall model, the explanatory power is small. When all variables are included, the explanatory power within municipalities is only 6.9 per cent. Based on these results the relationship between enrolment in ALMPs and outflow to work can best be described as inelastic. Small changes in enrolment do not significantly affect the outflow to work when all other unobservable factors are held constant.

Besides migration background, there is another aspect that has helped us understand the relationship between outflow to work and enrolment in ALMPs. Incorporating the total number of residents proved to be unrelated to the other variables in the model, meaning that larger municipalities do not necessarily struggle more with the implementation of the Participatiewet than municipalities with fewer residents. The only significant and strong effect on outflow to work that is incorporated in this analysis is the number of benefit recipients per 100 residents. The negative estimated coefficient of -4.11 does indicate that increased pressure on the social assistance benefit has a negative effect on the percentage of social assistance benefit recipients that flows out to work. When outflow is generalized to all possible reasons for exiting the benefit, this negative effect is even stronger at -4.19. This means that, as the number of benefit recipients per 100 residents increases with one percentage point, outflow to work is affected by more four percentage points. All in all, the conclusions that are drawn from this research show general low effectiveness of increasing

enrolment in ALMPs to increase outflow to work. The question central in this analysis, to what extent the relationship between outflow to work and enrolment in ALMPs is affected by the share of non-Western migrants of a population, can only be answered with the conclusion that there is no impact on that relationship. The relationship between outflow to work and enrolment in ALMPs is weak and inelastic for the general population. An increase in the share of non-Western migrants in a municipality does not significantly affect this relationship. This motivates the search for more effective enrolment in ALMPs that do benefit those in the social assistance benefit.

After these conclusions, it is important to discuss some aspects of this research. First and foremost, the measurements and data that were used are especially general and broad. As the effects that are analysed are small to begin with, the rough estimation method can be the cause for the statistical insignificance of some results. For now, specific data for municipalities that shows the number of individuals in the social assistance benefit categorised by migration background is unavailable, just as the outflow to work per migration background. It could also be beneficial to take into account the level of education or specific non-Western regions of origin and specify within the group of non-Western migrants. Furthermore, the period of the analysis is relatively short. Because Statistics Netherlands is somewhat inconsistent in their reporting of data, data is incomplete for some years. These years had to be left out of the model. To draw stronger conclusions, a longer period of analysis is required, as the share of non-Western migrants per municipality does not change radically in a couple of years but develops more slowly as migration is a process that is continuous through time, with only a few peaks the past decades. This is a possible explanation for the insignificant coefficients for the share of individuals with a Western and a non-Western migration background per municipality. A fixed-effects model automatically omits the time-invariant characteristics in the data (Mummolo & Peterson, 2018), and for many of the municipalities, the composition of migration backgrounds has not or barely changed in the three years used in the analysis. Lastly, as mentioned continuously throughout this thesis, my aim was not to explain why non-Western migrants are so disproportionally represented in the social assistance benefits. However, any explanations that can be established could very well be part of the solution for decreasing the distance between migrants and the labour market. Therefore, these explanations would have been a valuable addition to this research and the general body of work that aims to improve the positions of migrants in the labour market.

Despite the discussed shortcomings of this research, there are some recommendations I would like to make based on my results. Again, I note that my results should be interpreted as an indication that increased enrolment in current ALMPs is no straightforward solution for increasing outflow to work, not for the general population of social assistance benefit recipients, nor non-Western migrants. Nevertheless, I would advise the Dutch government to create stronger guidelines for ALMPs. Especially when it comes to the availability of certain instruments because differences between municipalities do not only create a differential treatment for people in similar circumstances, but they also complicate the evaluation of what works and for whom it works best. In April of 2021 Statistics Netherlands announced that they will end the distinction between non-Western migrants and others in their data. They chose to do so because they want to contribute to the social and academic discussion positively and feel the distinction comes with 'negative associations' (Heck, 2021). For this research, data with the distinction between Dutch natives, Western- and non-Western migrants were still available but has shown no sign of a serious gap in effectiveness between the different subgroups, so perhaps Statistics Netherlands is right to let this distinction go.

Finally, whichever strategy is chosen eventually will be a political choice. On a personal note, I would like to motivate every policymaker and politician in the Netherlands to consider the many factors that can influence the effectiveness of enrolment in an ALMP. Additionally, the size of enrolment in ALMPs compared to the entire population of social assistance benefit recipients is small, making the comparison based on effectiveness not as representative as it could be if more individuals enrolled in an ALMP instrument. My results support the recommendation of the OECD (2014) to create an ALMP approach where there is a possibility of tailored guidance that finds the best instrument for the personal circumstances of a specific individual, whether they are a 55-year-old woman with a Western migration background or a young Dutchman. These results show that simply enrolling in an ALMP does not guarantee more outflow of the social assistance benefit to work, as the effects found are close to zero and statistically insignificant. The budgetary pressures with which municipalities cope due to implementing the Participatiewet (VNG, 2021) , do show the urgency of finding effective ALMPs that are worth investing in.

In section two, I briefly discussed Switzerland's approach (Auer & Fossati, 2020), where unemployed individuals were assessed in their distance to the labour market, and the Dutch approach of the 'Participatieladder'. This method places a social assistance benefit recipient in a category based on their circumstances.  Based on that categorisation, individuals are offered

different instruments to enrol in. The results of this research do not show a clear difference based on migration background, and support that there is no one-size-fits-all solution. Based on these results, ALMPs should move even further towards a more individually tailored approach in the coming years.

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