

Research setup evaluation effectiveness welfare-to-work programs Amsterdam

Bas van der Klaauw

(Vrije Universiteit)

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Abstract

This letter provides a description of the research to evaluate the effectiveness of the welfare-to-work programs that are used by the welfare agency (DWI) in Amsterdam to stimulate the re-employment of welfare benefits recipients with a potential to work (classified as type 4).

(This is a translated version of the research proposal which was written in Dutch and finalized in March 2012, see "Onderzoeksopzet bepalen effectiviteit inzet re-integratieinstrumenten DWI")

1 Introduction

Due to reduction of the budget for welfare-to-work programs, the welfare agency in Amsterdam is forced to be more careful when offering participation in welfare-to-work programs. The current policy of the welfare agency (formulated in *de Nieuwe Werkwijze*) focuses on providing welfare-to-work programs where these are most effective in stimulating job finding. Determining the effectiveness of welfare-to-work programs is difficult. Participation in these programs is selective and therefore the group of participants cannot be easily compared to the group of non-participants. Differences in outcomes between both groups can thus be as well the results of participation in the programs as the result of existing (often unobserved) compositional differences between both groups.

In this letter we propose a method to empirically evaluate the effectiveness of the welfare-to-work programs. The target population in this research proposal consists of welfare benefits recipients classified as type 4. To increase the homogeneity of the target population, individuals under age 27 and those not collecting benefits (so-called *nuggers*) are excluded. The goal of the research proposal is:

To estimate for type 4 welfare-benefits recipients the effects of participating in welfare-to-work programs on the (long-term) exit from the benefits scheme.

The setup of the study is experimental. Because the experiment influences the assignment of individuals to welfare-to-work programs, it can also affect the achievements of caseworkers and the teams in which they work. This is discussed in section 5. The research will likely also affect the goal of the welfare agency to generate as much exit to work as possible. The experimental study will likely only have modest effects on how many individuals will participate in the different welfare-to-work programs. In the long-run the research can only have positive effects since it provides insights in how effective welfare-to-work programs are for various types of benefits recipients.

2 Empirical policy evaluation

Methods for empirical policy evaluation try to find a group of participants in a treatment which has similar characteristics as a group of non-participants. The recent literature shows that making groups comparable on observed characteristics is often insufficient. There are often unobserved individual characteristics, such as for example motivation, which remain different between both groups. This is the case if participants in a treatment are selected by caseworkers.

The most convincing approach to deal with this selectivity is to use an experiment with random assignment of benefits recipients to the welfare-to-work programs. Random assignment guarantees that (when the sample size is sufficiently large) the different groups have comparable compositions. Differences in outcomes can then only be the result of the participation in the welfare-to-work program. Experiments with random assignment are often difficult to implement. Caseworkers can be convinced that withholding participation in a welfare-to-work program may place the individuals in a harmful situation. This may cause that caseworkers do not comply to the experimental assignment which may reduce the support for such an experiment.

We, therefore, suggest an alternative approach which has been successful in an evaluation conducted at the unemployment insurance administration.¹ The idea is to instruct caseworkers differently. Each caseworker received a *default option* for the assignment of welfare-to-work programs from which they can only deviate if there is a good reason. So caseworker A should always provide welfare-to-work program A unless the caseworker is absolutely convinced that the benefits recipient

¹Ph. de Jong, M. Lindeboom and B. van der Klaauw (2011), Screening disability insurance applications. *Journal of the European Economic Association* 9, 106–129.

absolutely needs another welfare-to-work program. For caseworker B, this default option is welfare-to-work program B, etc. The advantage of this approach is that caseworkers keep some discretion which increases the support for this empirical evaluation. Because this proposal directly affects the work of the caseworker, it can have consequences for the achievements of the caseworkers and the teams in which they work.

A number of conditions should be fulfilled to obtain a reliable estimated of the effectiveness of the welfare-to-work programs using this research approach:

- In each team, multiple caseworkers should have deviating default options.
- In each local office of the welfare agency, benefits recipients should be randomly assigned to caseworkers.
- Default options should be assigned randomly to caseworkers.
- Variations in default options should result in substantially different participation rates in the various welfare-to-work programs.
- All caseworkers should participate in the experiment, such that the evaluation does not depend on differences in quality of caseworkers.

In section 4 we discuss this more extensively.

3 Practical implementation

When applying for welfare benefits, a compulsory diagnosis (*tredekiezer*) advises about the classification of the individual. The final decision about the classification is made by the caseworker, who has some discretion to deviate from the diagnosis.² This proposal focuses on benefits recipients who are classified as type 4. Type 4 benefits recipients are considered to have sufficient (job-search) skills to exit to work within six months. For this group the goal of the welfare-to-work programs is to provide them with suitable vacancies.

3.1 Interventions and experiment

Monthly about 1100 individuals apply for welfare benefits and of those about 20% are assigned to type 4. There are about 55 caseworkers in Amsterdam assisting

²At the local welfare offices in South-West and South-East, caseworkers from a special intake-team perform the application, while another team of caseworkers is responsible for the later assistance of benefits recipients.

type 4 benefits recipients and each of them has a workload of about 40 individuals.³ The caseworkers are organized in teams which work at one of the local offices of the welfare agency. Each team has about 10 to 15 caseworkers. Within a team the new welfare-benefits recipients are assigned to the caseworker who has at that moment the lowest caseload. This guarantees that within local offices the assignment of benefits recipients to caseworkers is random.

At the start of the benefits period, the caseworker assesses the degree of self-reliance of the benefits recipient. Benefits recipients who are considered self-reliant and who have a sufficiently good financial situation⁴, receive a job search period of at most one month to find work before the assistance of a caseworkers starts. During this job search period about 10% of the applicants find work. Applicants who are not considered to be self-reliant do not receive a job search period and are assisted immediately by a caseworker.

Intervention 1: Let caseworkers use a stricter definition of not self-reliant and self-reliant. That means that there are three possibilities for the different caseworkers (this is specified in more detail in Appendix B):

- (i) Apply as often as possible a job search period to welfare applicants.
- (ii) Apply as less as possible a job search period to welfare applicants.
- (iii) Caseworkers follow their usual policy regarding applying job search periods to welfare applicants.

After a job search period or direct inflow into welfare benefits, the benefits recipient is guided by a caseworker. There are a number of welfare-to-work programs that can be used to stimulate job finding, a job-application training (*carrousel*), guidance by the caseworker, direct job placement subsidized or with a trial period of at most three months. The guidance of the caseworker will take place during at most six months and in this period the benefits recipient and the caseworker meet every two weeks. If after six months the benefits recipient has not stopped collecting benefits, a new diagnosis is made and in general the benefits recipient will be classified as type 3.

³In addition to the about 55 caseworkers assisting the type 4 welfare benefits recipients, there are 6 caseworkers in South-East who only perform intakes of applicants and in South-West about 50 caseworkers are involved in intakes.

⁴Individuals who enter the welfare benefits scheme after having collected some other type of benefits never get a job-search period applied.

Intervention 2: Let caseworkers have different strategies to decide about the use of welfare-to-work programs for the benefits recipients they guide. There are four possibilities for the caseworkers (this is specified in more detail in Appendix B):

- (i) The caseworker uses as much as possible direct job placement, which implies that the caseworker stimulates the use of trial periods and subsidized jobs and acts as an intermediate by filling regular vacancies. As long as there is no match with an employer, the caseworker assists the benefits recipient.
- (ii) The caseworker sends benefits recipients as often as possible to the job-application training. In case the individual already has all job-search skills or does not meet the entry requirements of the training, the caseworker assists the benefits recipient.
- (iii) The caseworker assists the benefits recipient without using the job-application training and direct job placement.
- (iv) The caseworker does not give assistance and is only available if the benefits recipient takes the initiative for contact.
- (v) the caseworker applies the usual policy regarding the use of welfare-to-work programs and providing guidance.

The experiment period will be cut in four equal parts. For each part, each caseworker receives a new default option for the new benefits applicants for this period. The default option always affects only the application procedure or the type of guidance. A number of caseworkers will have the normal policy as default option for more than one period. This allows us to control for calendar-time effects and it will make the study less sensitive for differences between caseworkers. Another advantage is that this setup limits the impact for the individual caseworker, while there remains sufficient variation in the use of welfare-to-work programs to evaluate these.

3.2 Required data

The primary goal of the use of welfare-to-work programs is job finding. That means that the duration of the welfare-benefits period is the most important outcome of the study. The expectation is that about 50 to 70% of the benefits recipients in the target population find work within six months. It should be stressed that this is a uncertain expectation since the current policy (*nieuwe werkwijze*) is too recent to make a good prediction.

For the empirical evaluation we use data from different sources describing the new (class 4) applicants for welfare benefits. First, information from the administrative data at the welfare agency (*Socrates*) are used. These administrative data contain information for all applicants on

- Day of start welfare benefits (and reason for application).
- Day of end welfare benefits (and reason for exit).
- Result of diagnosis class 1-4.
- Identity of caseworker.
- Used welfare-to-work programs.
- Sanctions and warnings.
- Background characteristics (gender, age, household situation, education, post-code, nationality, earlier benefits spells, etc.)

We should take into account that outflow can be part-time. The goal of the welfare-to-work programs is to stimulate permanent exit to work. In practice, the reason for exit of welfare benefits is poorly registered in *Socrates*. Therefore, using only these data it is difficult to determine if the reason for outflow is work. To investigate if the exit is permanent, we can take as measure if the individual does not return to welfare in Amsterdam within six months. If this is not the case, it is not guaranteed that the individual worked. A person can move to another municipality, can become entitled to other types of benefits or can lose entitlement due to changed household situation.

To determine if exit was to work and to investigate the long-term effects of the welfare-to-work programs, data of the welfare agency should be merged to the labor market information from Statistics Netherlands (CBS). For this purpose, Statistics Netherlands provides a micro-data environment which guarantees anonymity and provides remote access to researchers of the Vrije Universiteit. This allows us to consider contracts, working hours, earnings, job-job mobility and other types of benefits. Another interesting outcome could be criminal behavior, although it is unclear at this stage how informative data on criminal behavior are and if these data can be merged to data from this experiment.

Socrates may not contain enough information to estimate the results from this experiment. First, there is no direct information in *Socrates* on which caseworker is assigned to the welfare recipient. This information should be obtained from RAAK. A more fundamental problem is that individuals who receive a job-search period

and do not re-apply (for example because they find work) might not be registered in Socrates.⁵ In the empirical analysis this can cause a substantial underestimation of the effectiveness of imposing job-search periods. Therefore, we should also collect other data.

Most straightforward is to use a short additional form of caseworkers guiding class 4 welfare recipients. This gives the information:

- Which caseworker is guiding the welfare applicant.
- Subjective assessment of the caseworker on the labor-market prospects (four-point scale).
- Subjective assessment on how self-supportive the welfare applicant is (five-point scale).
- Decision on applying a job-search period.
- Use of welfare-to-work programs (which program at which moment).

A draft of the form that has to be completed by all caseworkers for all new applicants of welfare benefits during the experimental period can be found in appendix A.

4 Timeline

Before we can implement the experiment, we first have to decide how long the experiment should take to get enough welfare recipients in the sample. To obtain insight in the number of individuals in the experiment we conduct power simulations for different scenarios.

In the baseline scenario, we assume that the exit rate is 70% within 6 months and the noncompliance when assigning welfare-to-work programs is 20%. Noncompliance means in this case that 20% of the individuals who should be assigned to a specific program do not actually participate. For some interventions this rate of noncompliance is low, for other interventions it may be high. We expect that for example the noncompliance will be lower than 20% for the default option where no search periods should be applied.

In addition to the rate of noncompliance also the effect size is important when determining the required sample size. If being exposed to an instrument increases the exit rate with 5%-point within 6 months (so the exit rate increases from 70% to 75%), then a sample size of about 2500 individuals is required. When the inflow

⁵Socrates registers in this case a letter to the welfare recipient that the application did not result in a eligibility to welfare benefits.

of new applicants is about 200 per month, the experiment should run for about one year to obtain enough individuals in the sample. This is what we use for the timeline of the research project.

In addition to the baseline scenario, we considered alternative scenarios for determining the required sample size:

- If the exit rate is lower than 70% within 6 months more observations are required, about 2800.
- If caseworkers can reduce the noncompliance rate to 10% rather than 20%, then the sample size can be approximately 2250.
- If the effect of the welfare-to-work programs is smaller than 5%-points, more observations are required (and fewer if the effect is larger than 5%-points).

In Appendix C it is shown how the inflow of the 2500 welfare applicants are distributed over the default options at the local offices. The underlying idea of this distribution is that caseworkers who are both involved in the intake and the guidance of welfare recipients almost surely only get one default option which deviates from normal policy.

Before the experiment starts, a number of meetings should take place. First, the managers of the teams of caseworkers should provide information on which practical problems can arise when implementing the experiment. After that the research proposal should again be approved by the board of the welfare agency. Finally, at each local office there should be a meeting to inform all caseworkers about their role in the experiment. Once the experiment starts the timeline in Table 1 will be followed (assuming that the experiment starts on April 1, 2012). The first step of the experiment is to decide how the default-options will be randomized over the caseworkers.

During the experiment period, the forms completed by the caseworkers will be collected regularly and will be transferred to the Vrije Universiteit. This will occur approximately every other week. Using these forms in May 2012 the first assessment on how well caseworkers comply to the default options will be made. This first assessment can also be used to implement more reliable information on the compliance rates in the power calculations.

In August 2012 the statistical department of the welfare agency will provide a first data set, such that we can provide a mid-term report in September 2012. In this mid-term report no estimation of effect sizes will be performed. The report will provide information on the implementation of the experiment (compliance and filling in the forms) and some exit rates.

Table 1: Timeline of the experiment.

Before	(i) Meeting with managers of the teams of caseworkers (ii) Information meeting at each local office with caseworkers
Mid March 2012	First random assignment announced to caseworkers
May 2012	First evaluation of compliance to random assignment
Mid June 2012	Second random assignment announced to caseworkers
September 2012	Mid-term report
Mid September 2012	Third random assignment announced to caseworkers
Mid December 2012	Fourth random assignment announced to caseworkers
April 1, 2013	End of the experiment
June 2013	Preliminary draft final report
December 2013	Final report

The random assignment of new applicants ends on April 1, 2013. Therefore, mid April 2013 a new set of administrative data should be provided by the statistical department of the welfare agency. These data will be used for the preliminary draft of the final report, which should be completed in June 2013. However, for new applicants for welfare benefits in March 2013, it takes until October 2013 before the potential benefits duration of 6 months is reached. This implies that in November 2013 again administrative data should be provided which will be used for the final report that should be completed in December 2013.⁶ The final report will contain the empirical evaluation of the effectiveness of the welfare-to-work programs. That means that for each welfare-to-work program an estimate will be provided about the effect of participation in this program. By comparing these estimated effects to the costs of the programs, a costs-benefits analysis will be made for each welfare-to-work program.

5 Final remarks

The experiment described in this research proposal will require additional effort of the welfare agency. That is most visible with the forms that caseworkers have to fill in for each new applicant. These forms will be transferred regularly to the Vrije Universiteit, where they will be analyzed. In addition, the statistical department should provide data for the mid-term report and the final report. Finally, data

⁶It takes about 8 weeks before final information on inflow and outflow in welfare benefits is registered in Socrates.

should be provided to Statistics Netherlands (CBS) so that the participants in the experiment can also be followed in the long run and the long-run effects of the welfare-to-work programs can be determined.

A second consequence of the experiment is that it will affect the usual decisions on providing welfare-to-work programs. That means that some welfare applicants will receive different guidance than what they would usually receive from the welfare office. This also affects the achievements of the caseworkers. Caseworkers have less discretion, which implies that they may have to deviate from the usual decision concerning guidance and providing welfare-to-work programs. That will general not only a difference in the use of welfare-to-work programs between caseworkers, but also differences in outflow rates to work. Even though detailed information will be gathered on what decisions caseworkers make, this research setup is not useful to benchmark caseworkers against each other. It should be stressed that the latter is also no aim of our research.

Appendix A: Forms provided to the caseworkers



Klantmanager: Dhr. K.Lantmanager
Werkplein: Amsterdam

Klantgegevens

BSN-nummer: *Datum:*-.....-20.....

Geslacht: Man Vrouw

Geboortedatum:-.....-19.....

Hoogste opleiding: WO MBO VMBO
 HBO HAVO/VWO Basisonderwijs

Huishouden: Samenwonend met kinderen Alleenstaand met kinderen
 Samenwonend zonder kinderen Alleenstaand zonder kinderen

Reden instroom WWB: verlies werk einde WW anders

Financiële situatie: goed matig slecht

Inschatting werkherovating: vindt werk in 1^{ste} maand
 vindt werk in 2^{de} of 3^{de} maand
 vindt werk in 4^{de} of 5^{de} maand
 vindt werk in 6^{de} maand of later

Re-integratie

Mate van zelfredzaamheid:

volledig niet-zelfredzaam		enigszins zelfredzaam		volledig zelfredzaam
(1)	(2)	(3)	(4)	(5)
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

• Leg nooit een zoekperiode op.

Zoekperiode opgelegd: nee
 ja, van weken

• Begeleid zelf.

Re-integratieinstrument: begeleiding door klantmanager
 doorgestuurd naar vacaturecarrousel
 proefplaatsing of LKS per-.....-20.....
 geen instrument inzetten

Appendix B: Details on the interventions

Job-search period**

Do not discuss the welfare-to-work programs which can be applied later during the period of benefits receipt during the intake. The caseworkers will be directed with respect to making a decision on imposing a job-search period to new welfare applicants in class 4. There are three options.

Always a job-search period

Impose a job-search period as often as possible. When imposing a job-search period always an assessment should be made if it is financially possible. Job-search periods should not cause serious financial problems.

Never a job-search period

Never impose a job-search period.

Usual policy concerning job-search periods.

The caseworker has the usual discretion when deciding about imposing a job-search period.

Welfare-to-work programs

The experiment will affect the decision of the caseworkers of the exit teams with respect to which welfare-to-work program they apply. Below we provide insight in how the different default options should be implemented.

Furthermore, it is important to note that monitoring and sanctions are no part of this study and will not be considered as a separate policy instruments. A caseworker should treat noncompliance of the guidelines of the welfare agency in the same way as this is usually treated. It may however be that some noncompliance is noted later by caseworkers who not giving guidance.

**At the local offices South-West and South-East the intake is not conducted by the caseworkers of the exit teams, but by caseworkers of screening teams. The intervention concerning the job-search period will be conducted by these teams at these local offices. They will be informed that they should not provide much information on the set of welfare-to-work programs which can be provided to applicants later.

Caseworker guidance

The caseworker has regular meetings with the welfare recipient, but does not use both the job search training and direct job matching (WSP). The frequency of face-to-face meetings is determined by the caseworkers and can vary over the period of receiving welfare benefits. During the period of providing guidance, the caseworker can help improving the CV and application letter and can draw attention of the welfare recipient to registering at temporary work agencies. The social media training is provided by caseworkers and can also be used. Vacancies can only be offered by the caseworker if these vacancies are not available of the platform *werk.nl* or are available in combination with for example a subsidy via WSP. Also the job application training that contain direct job matching of welfare recipients to vacancies cannot be used. Vacancies found by the caseworker (e.g. at a local shop or supermarket) can be offered to the welfare recipients, but the caseworker is not supposed to act as intermediate between firms and welfare recipients.

Job application training

The welfare recipient will be introduced to the job application training, called *Carroussel*. This training takes eight weeks and has a fixed content. During the period that the training takes place, the caseworker provides less guidance to the caseworker. The training can have a waiting list. Before the start of the training and after the training has finished, the caseworker provides the same guidance as described above. The training can refuse welfare recipients to participate because they don't speak Dutch good enough, because their computer skills are insufficient, or because they only receive benefits part-time. Welfare recipients who are refused to participate in the training, receive guidance from caseworkers as described above. If beforehand it is already 100% clear that the welfare recipient will be refused for the training, then the caseworker does not need to introduce the welfare recipient to the training. Caseworkers should report on their forms if a welfare recipient is refused for the training or not suitable for the training, preferably with a reason why this is the case.

Direct matching

Caseworkers introduce the welfare recipient to the advisors who handle vacancies (*Werkgever Service Punt (WSP)*). That means that the welfare agency is actively approaching firms and matching between vacancies en welfare recipients is facilitated. The latter can be via trial placements of wage subsidies, but also referring welfare recipients to specific temporary work agencies (maybe taking a specific va-

cancy into account). In some cases WSP or the temporary work agencies will not immediately have a vacancy available for the welfare recipient. In that case the caseworker provides the usual guidance and repeatedly tries to contact the advisors handling vacancies. The job application training will not be used.

Be passive

The caseworker does not actively contact the welfare recipient, but is available for the welfare recipient to answer questions. Requests for guidance of other types of support will be discouraged. If a welfare recipient explicitly requests to participate in a training or program of requires intensive guidance, then the caseworker should discuss this with the team manager. The latter should register how often such requests occur. If the welfare recipient explicitly requests, then the application letter and CV can be checked but contact between the caseworker and the welfare recipient should be kept to a minimum.

Discretion

The caseworker follows the usual policy with respect to guiding a welfare recipient and has the usual discretion in deciding about training, programs and instruments..

Appendix C: Distribution of welfare recipients over the default options

Total research population: 2500

In total 2500 new welfare recipients are necessary for a robust statistical analysis

	Center/East 23%	North 15%	New-West 16%	South/West 30%	South-East 16%	total	percentage 100%
Percentage inflow	575	375	400	750	400	2500	
Welfare recipients							
Intervention 1	Intervention 2						
always search period	0	0	0	47	25	72	2.9%
always search period	0	0	0	47	25	72	2.9%
always search period	0	0	0	47	25	72	2.9%
always search period	0	0	0	47	25	72	2.9%
always search period	58	38	40	63	33	232	9.3%
never search period	0	0	0	47	25	72	2.9%
never search period	0	0	0	47	25	72	2.9%
never search period	0	0	0	47	25	72	2.9%
never search period	0	0	0	47	25	72	2.9%
never search period	58	38	40	63	33	232	9.3%
usual policy	108	70	75	47	25	325	13.0%
usual policy	108	70	75	47	25	325	13.0%
usual policy	108	70	75	47	25	325	13.0%
usual policy	108	70	75	47	25	325	13.0%
usual policy	29	19	20	63	33	164	6.6%
Total							
Intervention 1	58	38	40	251	133	520	20.8%
Intervention 2	58	38	40	251	133	520	20.8%
	461	299	320	251	133	1464	58.6%
	108	70	75	141	75	469	18.8%
	108	70	75	141	75	469	18.8%
	108	70	75	141	75	469	18.8%
	108	70	75	141	75	469	18.8%
	145	95	100	189	99	628	25.1%