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# Promising policies for integration on the labour market

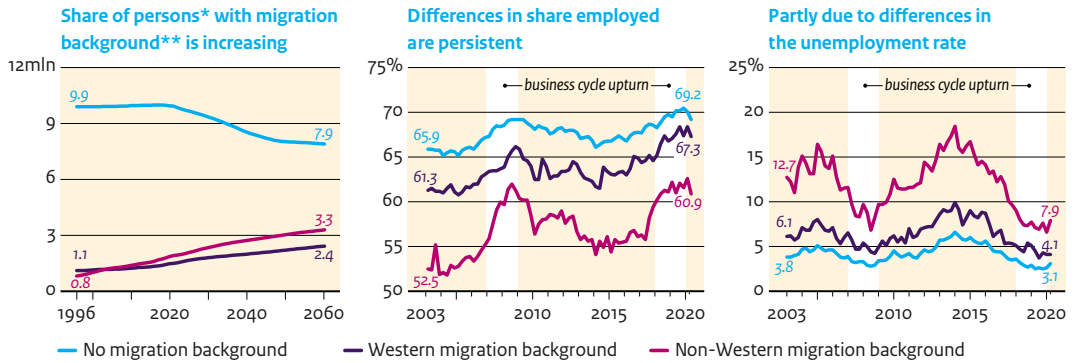
## Summary

October 2020



# Opportunities for improving the labour market position of people with a migration background

## Large and persistent differences in labour participation between people with and without a migration background

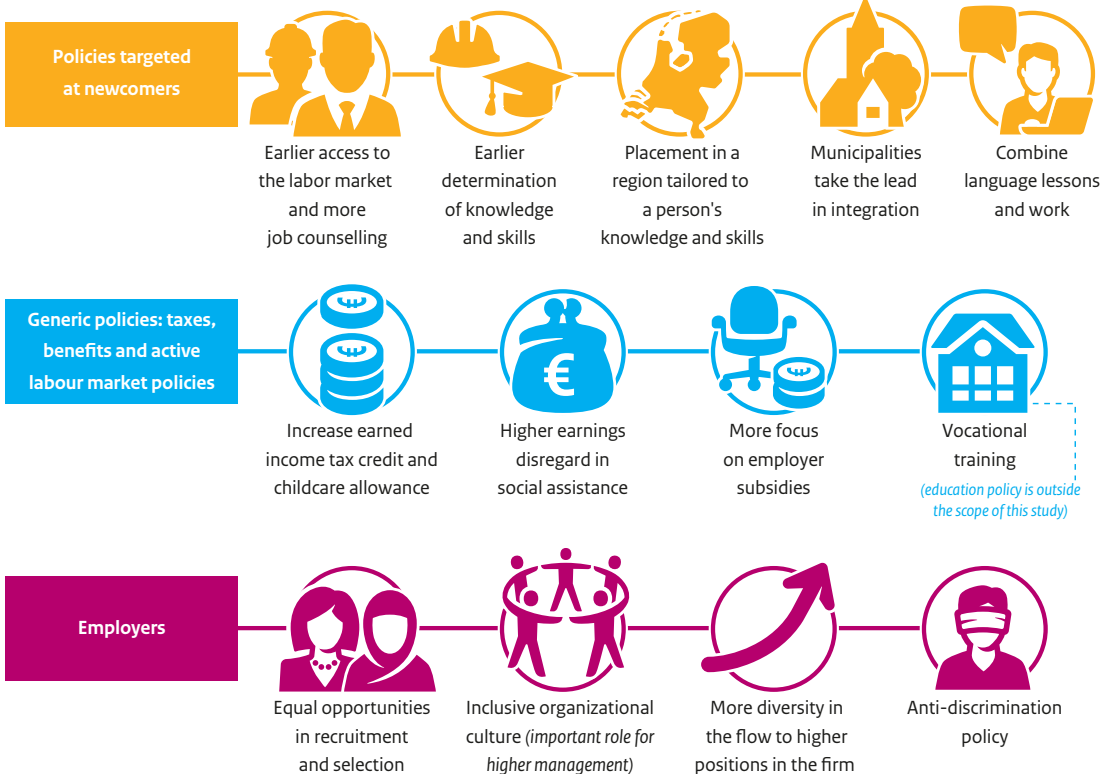


\* Age 15-74  
 \*\* First and second generation, forecast from 2021

Source: Statistics Netherlands and own calculations

**The urgency to limit this inequality in the labour market is increasing because of the expected economic downturn**

**Promising policy options include**





# Summary

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## Large and persistent differences in labour market participation by migration background

There is nothing new in observing that the labour participation rate of people in the Netherlands with a migration background is a good deal lower on average than that of people without a migration background. What is notable, however, is the relatively large difference in labour participation between these groups in the Netherlands compared with other countries, especially among less educated people. There are substantial differences between migrant groups. In particular, the labour participation rate is relatively low in the largest non-Western migrant groups (with a Turkish, Moroccan, Surinamese or Antillean background) and among refugees, while the labour participation rate of people with an Eastern European or Asian migration background much more closely resembles that of people with no migration background. The proportion of women with a migration background who are in work or looking for work is relatively low, especially among women with a Turkish or Moroccan background and women who came to the Netherlands as refugees. The unemployment rate is also higher among both men and women with a migration background than among people who do not have a migration background.

During the recent years of strong economic growth, the differences in the unemployment rate of people with and without a migration background declined rapidly. But the converse is also true: when the economy is underperforming, unemployment rises faster among people with a migration background than among those without a migration background. The differences on the labour market between people with and without a migration background can be partly explained by differences in the highest education level attained, but other factors are also important. For example, the substantial differences in labour market outcomes for people with and without a migration background persist into the second generation, despite the fact that members of the second generation have a substantially higher education level and a better command of Dutch than their parents. Research suggests that several factors may be at work here, such as the choice of study, additional obstacles in finding internships, and jobseeking behaviour that does not always align with the usual methods of recruitment. Discrimination also plays a role; it has been demonstrated that in the Netherlands, too, discrimination hampers the labour market opportunities of people with a migration background.

There are several arguments for improving the labour market position of migrant groups. Inequality of opportunity implies untapped potential for the Dutch economy (Jongen et al. 2019; CPB 2020a). It means that people are unable to find work or are employed in jobs that are ill-suited to their knowledge and skills. The protests in recent months by the Black Lives Matter movement underline the major impact that inequality and discrimination have on people's lives. Discrimination excludes people, and consequently has implications not only for their access to good jobs and income, but also for their health, ability to participate in social networks and sense of belonging. More than in the past, it exposes the fact that socioeconomic problems are also problems of social cohesion. The current economic downturn means the need to curb inequality on the labour market is becoming more urgent. We know from the recent past that people with a migration background are hit harder than others during periods of economic downturn, and that is likely to be the case again now (Van den Berge et.al. 2020; Dagevos & Miltenburg 2020; Muns et.al. 2020).

### **Promising integration policy: an analysis of 60 policy options for addressing the labour market position of migrants**

This report analyses 60 policy options for addressing the differences in labour market outcomes of people with and without a migration background. They are policy options focusing on the labour market position of newcomers in the Netherlands, more generic policy options involving changes in taxation, allowances, social security and active labour market policy, and policy options aimed at companies and other organisations. The report also includes two case studies; the first comprises an analysis of the impact of the introduction of the Civic Integration Act 2013, while the second analyses the chances of finding work for social assistance benefit claimants with and without a migration background, and the impact on those chances of the introduction of the Participation Act in 2015.

It should be noted that, while the first part of the report devotes attention to the role of initial education in labour market outcomes, policy options specifically related to initial education fall outside the scope of this study. Although the differences in educational outcomes between people with and without a migration background have narrowed (Huijnk & Andriessen 2016; CBS 2018), there is still a need for further analysis of the policy options with a view to reducing these differences further. Options for migration policy and housing market policy are also left out of consideration in this study.

### **Newcomers: shorter procedures, smarter placement policy and more ambitious civic integration policy**

Newcomers, and especially asylum seekers, encounter serious obstacles in accessing the labour market. Asylum seekers in the Netherlands only receive support in accessing the labour market if they are in possession of a residence permit, after which they are largely expected to find their own way to language lessons and work. Before this, they live in asylum seekers' reception centres to await a decision on their asylum request.

Policy options aimed at speeding up the process of finding work include shortening the asylum procedure and/or providing early access to and more support in accessing the labour market. It also helps if the knowledge, skills and work experience of newcomers are established earlier, as does stepping up the efforts in relation to accreditation of foreign qualifications. There are also gains to be made by accounting more for the specific knowledge and skills of migrants in the placement policy, and thus of their chances of finding work in a given region.

Passing the civic integration exam improves the chance of finding work; the labour participation rate of newcomers would have been lower without the civic integration policy. Despite this, there are improvements that could be made to the design of this policy. For example, the labour market chances of newcomers increase as the required language level rises – though it is important to account for the migrant’s starting level: a higher language standard is simply not attainable for every migrant. Intensive and personal counselling or coaching, taking into account the capacities and aspirations of the newcomer, also improves their chances of finding work. A customised approach is therefore called for. Dual programmes (combining language lessons with internships/work) also increase the chance of finding employment. It helps if local authorities take the lead in these programmes, rather than putting the onus of responsibility on the migrant. The new Civic Integration Act, which is expected to come into force in July 2021, will focus more on dual programmes and a higher language standard, and will put control back in the hands of local authorities. Reducing the level of benefits paid during the civic integration programme also has a net positive effect on the labour participation rate of newcomers. But it also leads to more income inequality and poverty, and may only be feasible from a legal perspective if it is part of a generic reduction in social assistance benefits.

#### **Lower taxation for workers, lower allowances and benefits and certain forms of active labour market policy reduce the differences in labour participation rate between people with and without a migration background**

Both men and women with a migration background are more responsive to financial incentives to find work than those without a migration background. This is partly due to the relatively low average labour participation rate of this group, which means there is still a lot of ‘upwards potential’. This applies especially for men and women with a non-Western migration background. The differences in the response to financial incentives between people with and without a migration background are more pronounced for women than men, and among women the main differences are found for mothers with young children (aged up to 12 years). Mothers of young children without a migration background are relatively responsive to financial incentives. Single parents with a migration background are the most responsive to financial incentives. In all groups, the differences in response to financial incentives lie mainly in participation measured in number of persons (extensive margin); the differences in response in terms of hours worked per worker are a good deal smaller (intensive margin).

Regarding taxation, a lower marginal tax rate and a lower general tax credit have virtually no effect on the labour participation measured in either persons or hours, whether people have a migration background or not. By contrast, increasing the earned income tax credit, especially where this increase is targeted at the bottom end of the wage spectrum, does lead to a rise in the labour participation rate. The effect is greatest for people with a non-Western migration background and smallest for people without a migration background. Increasing the income-dependent combination tax credit also has a relatively large effect on labour supply. Women with a non-Western migration background are more responsive to this than women with a Western migration background or no migration background. This also applies to a lesser extent for men.

Raising the childcare allowance encourages parents of young children to increase their labour market participation. We find no differences by migration background for men, but women with a Western or non-Western migration background are more responsive to an increase in the childcare allowance than women without a migration background. Lowering the child-related budget, rent allowance and/or care allowance also leads to a relatively sharp rise in the labour participation rate, especially among women with a non-Western migration background. However, it also leads to an increase in income inequality and poverty.

As people with a migration background are overrepresented among social assistance benefit claimants, lowering the amount of that benefit leads to a relatively sharp increase in the labour participation rate of people with a migration background compared to those without a migration background. The flipside is an increase in income inequality. Raising the level of social assistance benefit, by contrast, reduces income inequality, but also leads to a relatively sharp fall in the labour participation rate of people with a migration background. Another way of incentivising people to move off social assistance benefit and into work is to allow them to earn more from working whilst still claiming benefits. This mainly encourages people with a migration background to take up employment. It also reduces income inequality. The differences in take-up of unemployment benefit and disability benefits between people with and without a migration background are fairly limited on average. Empirical research suggests that people with a migration background who receive unemployment benefit may be less responsive to changes in the duration of their benefit than people without a migration background. Little is known about differences based on migration background in behavioural responses to changes in disability benefits, though it is known that those responses are generally small in the present system, both for people with and without a migration background.

Active labour market policy can have a bigger effect on some groups than others. If allowance is made for background characteristics such as education level, the differences in effectiveness between migrant groups are limited. Nonetheless, active labour market policy has a bigger impact on the labour participation rate of people with a migration background than those without a migration background, because people with a migration background are overrepresented among social assistance benefit



claimants. More generally, they are also overrepresented at the lower end of the labour market. Although active labour market policy is generic, the selected interventions can be customised. For example, vocational training and tax incentives for hiring long-term social assistance benefit claimants and newcomers are relatively promising policy options. The Social Assistance Self-employed Workers Decree (Besluit bijstandsverlening zelfstandigen (Bbz)) has also proved to be an effective means of helping benefit claimants to find work through self-employment. One side-effect of making the arrangements for self-employed workers less generous has been to moderate the positive effects of the Bbz on the labour market participation of migrant groups.

### Employers: gains to be made in the selection process

The Netherlands has a long tradition of research on discrimination against migrant groups on the labour market. People with a migration background have less chance of finding work than people without a migration background, given equivalent training and work experience. There may be several reasons for this, such as a dislike of migrants ('taste for discrimination'), prejudices regarding the – perceived lower – productivity of migrant groups and fear of cultural conflicts in the workforce or in contacts with clients. 'Implicit association tests' show that members of majority groups are more often associated with more positive personality characteristics than members of minority groups. Selection is thus not an ethnically neutral process, but is affected by 'selection bias', which reduces the opportunities for migrant groups. Certain recruitment choices can also have an unfavourable impact, for example because the recruitment channels chosen do not align with the jobseeking behaviour of people with a migration background (for example because employers recruit via informal networks or specific media). Many of the demonstrably successful interventions eliminate or reduce the scope for discrimination and inherent bias in selection procedures, and ensure that selection decisions are based on characteristics that are relevant for the position rather than on migration background. Examples of this include anonymous job applications, job interview standardisation (so that all candidates receive the same interview) and setting clear criteria in advance for assessing and selecting candidates.

The literature also suggests that an inclusive organisational culture forms the basis for a sustainably diverse workforce, and also determines the success of specific interventions. There are numerous definitions in circulation of what constitutes an inclusive organisational culture, but in essence they all come down to a recognition and appreciation of differences within the organisation. How this culture is created depends on the context (for example the size of the company or the make-up of the workforce). In all cases, the engagement of the organisation's senior management appears to be essential.

### Case study 1: Higher pass rate following amendment of Civic Integration Act 2013, but no effect on labour market outcomes of newcomers

The introduction of the Civic Integration Act 2013 gave newcomers more responsibility for their own integration into Dutch society, both organisationally and financially. The Act also transferred enforcement from local authorities to the Education Executive Agency

(DUO). Research has been carried out on whether this legislative change has affected the civic integration exam results and labour market outcomes of newcomers for whom a civic integration programme is mandatory. Newcomers initially took longer to pass the exam than under the old Civic Integration Act from 2007. This may be because it takes longer for newcomers to fulfil the greater responsibility placed on them by the new Act and the need to find out for themselves what steps they need to take. Five years after the start of their civic integration process, however, a higher proportion of newcomers have passed the civic integration exam under the 2013 Act. This is possibly due to the stricter administrative enforcement by DUO than by local authorities. The labour market outcomes of newcomers five years after the start of their civic integration process are no different from the outcomes prior to the introduction of the 2013 Act. This holds whether participation is measured in persons, hours worked or wages.

### Case study 2: Non-Western social assistance benefit claimants still have a low chance of finding work under the Participation Act

The second case study looks at the chances of unemployed social assistance benefit claimants finding work. The central question is to what extent generic policy influences the chance of finding work by migration background. This is an important factor in the decision to apply generic rather than specific policy. After correcting for differences in background characteristics, social assistance benefit claimants with a non-Western migration background are found to have had a lower chance of finding work in the period 2015-2019 (8.1%) than claimants without a migration background (9.2%). The chances of finding work are thus low for all social assistance benefit claimants, but particularly so for people with a non-Western background. The difference compared with benefit claimants without a migration background is greatest for the second generation of people with a non-Western background (-1.5 percentage points). The gap is smaller (-0.6 percentage points) between social assistance benefit claimants with a Western migration background of the first generation or with no migration background. The chance of second-generation Western migrants finding work is no different from that of social assistance benefit claimants without a migration background. There are differences between migrant groups, however. After correction for other background characteristics, people with a Surinamese, Antillean, Eastern European (within the EU) or Central/East Asian migration background have a slightly better chance of finding work than people without a migration background. The reverse is true for people with a Moroccan or Turkish migration background and for refugees. This may be due to unmeasured differences such as language skills, social networks and motivation, but could also be linked to discrimination. Compared with the period prior to the introduction of the Participation Act (in 2015), the chances of finding work have improved slightly, but the differences between origin groups have not reduced much. This (minor) improvement could be due to factors such as improved integration, the introduction of the Participation Act or the Language Requirement (in the Context of the Participation Act) Act which was introduced in 2016.

## Concluding remarks

This report analyses policy options aimed at improving the position on the Dutch labour market of people with a migration background, and thus at narrowing the gap relative to people without a migration background. There is still every need for this: notwithstanding the substantial differences in labour market and income position between individual migrant groups – with little or no difference in the position of some groups compared with the population without a migration background – the overall picture is one of large and persistent differences between people with and without a migration background. The differences compared with people without a migration background have remained substantial over the last twenty years, especially bearing in mind the reduced differences in education level, better command of the Dutch language and, linked to this, the fact that the second generation – who were born and raised in the Netherlands – now account for roughly half the total population of people with a Turkish, Moroccan, Surinamese and Antillean background. Refugee groups who came to the Netherlands recently find it hard to gain a foothold on the labour market; in this sense they closely resemble the wave of refugees who came to the Netherlands in the 1990s. The Netherlands also does not stand up well in international comparison, with a wide gap in labour participation between migrants and non-migrants compared with other European countries.

The policy options analysed in this publication fall into three categories, focusing on ‘willingness’, ‘ability’ and ‘permission’. The policy options involving financial incentives are aimed at instilling a *willingness* to participate on the labour market in people who may be less inclined to do so, for example by expanding the opportunities to earn money whilst claiming social assistance benefit and lowering taxes for workers. Policy options which contribute to equipping the labour supply mean that more people have the *ability* to participate, for example by improving their command of the Dutch language through the civic integration policy, and through vocational training. The third set of policy options are aimed at *permitting* greater participation by migrants in the labour market, for example giving them access to the labour market sooner after their arrival in the Netherlands. Conscious and subconscious forms of exclusion also prevent people with a migration background from entering the labour market. There is a task for employers here in looking critically at how they can create more equal opportunities in their recruitment and selection processes, and where the organisational culture (implicitly) excludes certain employees or impedes their progression within the organisation. Subsequently, it may turn out to be useful to adapt the organisation’s internal processes to these new insights.

Some of the policy options studied specifically target migrant groups, while others are more general in nature. It is sometimes unclear in advance whether the more general policy options are more effective for a person with a migration background than for someone without such a background. Where the aim is to reduce differences between migrant groups, however, this is often not relevant. Good policy, which is equally effective for all groups at the lower end of the labour market, will also help to reduce the differences at the group level as long as migrant groups continue to be overrepresented

on the lower rungs of the jobs ladder. Policy interventions intended to help these groups will therefore almost automatically reduce the disadvantage of migrant groups. Raising the earned income tax credit for those at the bottom end of the wage distribution has for example contributed to this. The increase in the childcare allowance and the combination tax credit also helped boost the labour participation rate, especially of mothers of young children with a migration background. There also appears to be scope for further deployment of reintegration instruments; for example, wage subsidies for employers who take on people who are further removed from the labour market are relatively effective.

When it comes to policy aimed specifically at people with a migration background, several of the policy options cited in this report align with recent developments in government policy. This applies in particular for the proposed change in the civic integration policy, which gives more control to local authorities and offers more scope for combining working with learning the Dutch language, as well as for customisation in the civic integration programmes. These changes are expected to improve the labour market outcomes of people with a migration background. A change in the law is also being proposed aimed at creating more equal opportunities on the labour market. This will impose a statutory duty on employers to pursue a policy aimed at promoting equal opportunities in their recruitment and selection processes. Programmes have also been developed to allow people in asylum seekers' reception centres to undertake more activities (e.g. volunteering) and to take more account of the background characteristics of refugees when relocating them to labour market regions. The Ministry of Social Affairs and Employment is also running a programme (known as the 'VIA programme') to enhance integration on the labour market; this identifies which initiatives and measures are effective in improving the labour market outcomes for people with a migration background in the Netherlands.

One area of concern remains the period spent in reception centres and placement in the community. Many asylum seekers face a lengthy asylum procedure. During that period, they are barred from access to the labour market for an initial period, and thereafter are only allowed limited access. Support to help them find work and assessment of their skills and knowledge also only takes place late in the process. This prolongs the period that asylum seekers spend in limbo, and their integration into the labour market can be delayed for years after their arrival in the Netherlands. This is exacerbated by the limited attention given in the placement policy to the specific knowledge and skills of asylum seekers, which limits the labour market opportunities of migrants and forces them to relocate several times after their initial placement. Progress could be made towards improving the labour market integration of migrants by investing additional resources in shortening asylum procedures, implementing recent initiatives for the earlier assessment of knowledge and skills, and taking more account of labour market opportunities in the placement policy.

It is also important to continue combating labour market discrimination, and where necessary to step up the efforts to do so. Discrimination patterns have proved difficult

to break down in the past. This raises the question of whether more mandatory measures would lead to better results. Reference is often made in this regard to the weak results of the Employment of Minorities (Promotion) Act, intended to increase the labour participation of minorities (Wet Samen); the need to register ethnic background, in particular, met with a great deal of resistance. Other interventions of a more mandatory nature (such as quotas, contract compliance, and naming and shaming) raise questions about effectiveness and enforceability. A quota is not possible without registration of ethnicity and is therefore difficult to implement. Contract compliance and naming and shaming require persuasive evidence that organisations are discriminating, which for all kinds of reasons is not easy to establish. In the recently published action plan for increasing diversity in higher education and research, including diversity of origin, quotas are cited as a possible last resort if the envisaged results are not achieved. A further example is gender diversity on supervisory boards of listed companies, where the current target is to be replaced by a quota.

### Policy choices in a turbulent context: coronavirus and the debate about migration background

The further development of policy in this field is taking place in a turbulent world. The coronavirus crisis threatens to leave deep scars on the labour market, with certain groups being hit particularly hard, including migrant groups. We know from previous recessions that people with a migration background are particularly susceptible to increased unemployment, and this pattern seems to be repeated in the recession brought on by the coronavirus pandemic. The rising share of flexible jobs in the Netherlands, a segment of the labour market in which people with a migration background (and especially young people) are overrepresented, is one of the factors that plays a role in the rapidly escalating unemployment among people with a migration background during an economic crisis. The growing number of flexible employment contracts, and their implications for Dutch society, touch on a debate about quality of work that has been ongoing for some time (WRR 2020; Commissie Reguleren van Werk 2020). Having a large flexible workforce puts many people in a vulnerable position, and especially people with a migration background.

Reflecting on options and making policy choices regarding the labour market position of people with a migration background cannot be seen in isolation from the public debate on the significance of a migration background as a topic for policy. The debate on institutional racism, for example, stresses the importance of migration and ethnic background in unequal treatment in several spheres of life, including the labour market. The view that less weight should be given to migration background and ethnocultural factors (a central tenet of the superdiversity theory) is also gaining in popularity in both policy and research. A primary focus on migration background, it is argued, brings the risk of stigmatisation and polarisation. According to this view, policy focused specifically on people with a migration background is outdated and ineffectual. Policy choices concerning the position of people with a migration background can also be associated with unequal opportunities because they give priority to people with a migration background. All in all, therefore, this is a complex and emotionally charged context. As a result, making policy choices will not infrequently take on the character of a balancing act.

Table S.1  
Specific policy aimed at newcomers<sup>a</sup>

Measure	Budgetary	Employment		Income inequality	Other
	Ex ante <sup>b</sup>	Total	Persons with migration background	Ex ante	
	€ bn	Qualitative	Qualitative	Qualitative	
<b>Admission procedure and access to the labour market (asylum seekers)</b>					
Shorten asylum procedure from 6 to 5 months	>-0,1	Increase	Increase	None	
Earlier access to the labour market	Limited	Unknown	Unknown	None	Probably less effect than shorter procedure
Support in finding work	Unknown	Unknown	Unknown	None	In combination with earlier access to the labour market
<b>Job placement policy (asylum seekers)</b>					
In region with high employment rate	Limited	Increase	Increase	None	Possible additional costs at municipal level
Taking account of specific labour market chances of migrant	Limited	Increase	Increase	None	Possible additional costs at municipal level, bigger effect than above variant
<b>Establishing skills and accreditation (asylum seekers and family migrants)</b>					
Scrapping of free qualification accreditation for newcomers with a civic integration duty	Unknown	Unknown	Decrease	None	Greater chance of qualitative mismatch
Extension of free qualification accreditation for newcomers without a civic integration duty	Unknown	None	None	None	Better match between skills and occupational level
Skills assessment and accreditation of qualifications at time of asylum request	Unknown	Unknown	Unknown	None	
<b>Education for adult migrants (asylum seekers and family migrants)</b>					
Extension of educational opportunities for adults (aged 30+)	Unknown	None	None	None	Better match between skills and occupation level; effect reduces with age

Measure	Budgetary	Employment		Income inequality	Other
	Ex ante <sup>b</sup>	Total	Persons with migration background	Ex ante	
	€ bn	Qualitative	Qualitative	Qualitative	
<b>Civic integration programmes and language courses (asylum seekers and family migrants)</b>					
Scrapping of (mandatory) civic integration programmes	+0,1	Decrease	Decrease	None	Risk of other societal costs
Enlargement of target group for (mandatory) civic integration programme ('oldcomers')	Unknown	None	None	None	Less effective than for newcomers
Intensification of language courses and higher language standards	Already in baseline <sup>c</sup>	Increase	Increase	None	Mainly benefits highly educated; risk of dropout lower-educated/vulnerable groups, risk of being 'locked' into long-lasting programmes
Language teaching for (EU) labour migrants	Unknown	Increase	Increase	None	
Dual programmes (combination of language lessons and employment)	Unknown <sup>d</sup>	Increase	Increase	None	Initial match may be modest in work-first programmes
Intensive and person-specific counselling/support	Already in baseline <sup>e</sup>	Increase	Increase	None	
Reduced benefits during introduction programme	Depends on design <sup>f</sup>	Increase	Increase	Increase	Female migrants withdraw from the labour market; only possible in combination with generic reduction in benefits

Source: The effects are based on a literature review.

a) See sections 3.2-3.5 in the report for a more detailed description of the variants.

b) Budgetary effect in 2025, '+' means an improvement in the general government balance.

c) A sum of 90 million euros has been reserved for intensifying and customising language instruction under the Civic Integration Act 2021 (Roelofs & Gercama, 2019). An even higher language level entails higher costs.

d) While the intention is to incorporate dual trajectories in the Civic Integration Act 2021, the plans are not yet sufficiently crystallised to enable a budgetary forecast to be compiled at this stage.

e) Under the Civic Integration Act 2021, a personal Participation and Integration Plan (PIP) will be drawn up for each migrant; the costs of this are estimated at 22 million euros, but the Netherlands Bureau for Economic Policy Analysis (CPB) was unable to determine the degree of uncertainty of this figure (Roelofs & Gercama, 2019).

f) Lower social assistance benefit is only possible in combination with a generic reduction in social assistance benefit. A generic reduction in social assistance benefit of 10% delivers an ex ante budgetary saving of 0.5 billion euros.

Table S.2  
Generic policy: taxation and allowances<sup>a</sup>

Measure	Budgetary	Employment	By migration background						Income inequality	Other
	Ex ante <sup>b</sup>	Total <sup>c</sup>	Men				Women		Ex ante <sup>d</sup>	
			None Western	Non-Western	None Western	Non-Western				
	€ bn	in %						Gini coefficient	Qualitative	
<b>Taxation</b>										
Lower rate for lowest band	-1.5	0.0	0.0	0.0	0.0	+0.1	0.0	+0.1	0.0	All incomes benefit
Lower rate for highest band	-1.5	0.0	0.0	+0.1	0.0	0.0	0.0	0.0	+0.7	Higher incomes benefit
Lower general tax credit	+1.5	0.0	0.0	+0.1	+0.1	0.0	0.0	0.0	+0.5	Lower incomes mainly lose out
Generic increase in working person's tax credit	-1.5	+0.1	0.0	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	All workers benefit
Increase in working person's tax credit at bottom of jobs ladder	-1.5	+0.1	0.0	0.0	+0.1	+0.1	+0.2	+0.3	-0.1	Mainly workers with low income benefit
Increase income-dependent combination tax credit	-0.75	+0.2	0.0	0.0	+0.1	+0.3	+0.3	+0.5	+0.1	Increase burden gap between single and double-earners
<b>Allowances</b>										
Increase childcare allowance	-0.75	+0.1	0.0	0.0	0.0	+0.1	+0.2	+0.2	+0.1	Increase burden gap between single and double-earners
Reduce child benefit	+0.75	+0.1	0.0	+0.1	+0.2	+0.1	+0.1	+0.2	+0.1	Mainly parental income falls
Reduce child-related budget	+0.75	+0.2	+0.1	+0.2	+0.3	+0.3	+0.3	+0.5	+0.3	Mainly parental income falls, especially parents on low incomes
Lower care allowance	+1.5	+0.2	+0.1	+0.3	+0.4	+0.2	+0.3	+0.5	+0.9	Mainly low incomes lose out
Lower rent allowance	+1.5	+0.2	+0.1	+0.3	+0.7	+0.2	+0.4	+0.8	+1.6	Mainly low incomes lose out

Source: Simulations with MICSIM.

a) See section 4.1 in the report for a detailed description of the variants.

b) Budgetary effect in 2025, '+' means an improvement in the general government balance.

c) A total employment effect of 0.1% corresponds to 7,500 employment years.

d) Gini coefficient of standardised disposable household income.





Table S.3  
Generic policy: social security<sup>a,b</sup>

Measure	Budgetary	Employment	Persons with migration background		
	Ex ante <sup>b</sup>	Total <sup>c</sup>	Men		
			None	Western	Non-Western
	€ bn	in %			
<b>Social security</b>					
Reduce social assistance benefits by 10%	+0.5	+0.3	+0.2	+0.5	+0.9
Increase social assistance benefits by 10%	-0.5	-0.3	-0.2	-0.5	-1.0
Earnings disregard of 50% of amount earned whilst in receipt of social assistance benefits	-0.1	0.0	0.0	+0.1	+0.1
Reduce unemployment benefit to 60%	+1.2	+0.3	Unk.	Unk.	Unk.
Increase unemployment benefits to 80%	-1.0	-0.2	Unk.	Unk.	Unk.
Reduce IVA disability benefits to 70% <sup>e</sup>	+0.5	0.0	0.0	0.0	0.0
Increase IVA disability benefits to 80% <sup>e</sup>	-0.5	0.0	0.0	0.0	0.0
Reduce WGA disability benefits to 60% <sup>f</sup>	+0.6	+0.1	Unk.	Unk.	Unk.
Increase WGA follow-up benefits: based on previous wage <sup>f</sup>	-0.6	-0.1	Unk.	Unk.	Unk.

Source: The measures 'reduce' and 'increase' social assistance benefits by 10% are simulations using MICSIM. The other measures are based on a literature review (see CPB 2020c, 2020d).

a) 'Unk.' = 'Unknown'.

b) See section 4.2 in the report for a detailed description of the variants.

c) Budgetary effect in 2025, '+' means an improvement in the general government balance.

d) A total employment effect of 0.1% corresponds to 7,500 employment years.

e) IVA = Fully Disabled Persons Income Scheme.

f) WGA = Return to Work (Partially Disabled Persons) Regulations.

Persons with migration background			Income inequality	Other
Women			Ex ante <sup>d</sup>	
None	Western	Non-Western		
			Gini coefficient	Qualitative
+0.3	+0.4	+1.0	Increases	Income of persons with a migration background reduces relatively sharply
-0.3	-0.5	-1.0	Reduces	Income of persons with a migration background increases relatively sharply
0.0	+0.1	+0.1	Reduces	Increase in employment is mainly in part-time jobs
Unk.	Unk.	Unk.	Increases	Possibly smaller employment effect for persons with migration background
Unk.	Unk.	Unk.	Reduces	Possibly less negative employment effect for persons with migration background
0.0	0.0	0.0	Increases	Change in benefit for full incapacity for work.
0.0	0.0	0.0	Reduces	Change in benefit for full incapacity for work.
Unk.	Unk.	Unk.	Increases	No empirical effect by migration background
Unk.	Unk.	Unk.	Reduces	No empirical effect by migration background

Table S.4  
Active labour market policy<sup>a</sup>

Measure	Budgetary	Employment	
	Ex ante <sup>b</sup>	Total <sup>c</sup>	Persons with migration background
	€ bn	in %	In %
<b>Education and training programmes</b>			
Earmarked budget for training long-term unemployed in receipt of social assistance benefit	-0.1	0.0	0.0
Earmarked budget for training long-term unemployed in receipt of unemployment benefit	-0.1	0.0	0.0
<b>Support and placement</b>			
Intensify counselling/support for social assistance benefit claimants	-0.3	+0.1	+0.3
Abolish counselling/support for social assistance benefit claimants	+0.5	-0.1	-0.3
Expand face-to-face interviews by Employee Insurance Agency (UWV)	-0.1	0.0	0.0
Abolish face-to-face interviews by Employee Insurance Agency (UWV)	+0.1	-0.1	-0.2
Mandatory public-private partnership with employment agencies in all regions	0.0	Unknown	Unknown
<b>Financial incentives for employers</b>			
Abolish low-income employee allowance (LIV)	+0.4	-0.1	-0.3
Double low-income employee allowance (LIV)	-0.4	+0.1	+0.3
<b>Public sector jobs</b>			
Creation of 20,000 public sector jobs aimed at long-term unemployed	-0.6	+0.1	+0.3
Social activation	Unknown	Unknown	Unknown
<b>Support for self-employment</b>			
Support for becoming self-employed	-0.1	0.0	0.0

Source: The effects are based on a literature review.

a) See section 4.3 in the report for a detailed description of the variants.

b) Budgetary effect in 2025, '+' means an improvement in the general government balance.

c) A total employment effect of 0.1% corresponds to 7,500 employment years.

Income inequality	Other
Ex ante	
Qualitative	Qualitative
None	Effective if there is a strong link with labour demand and high chance of long-term unemployment
None	Effective if there is a strong link with labour demand and high chance of long-term unemployment
None	Risk of displacement increases
None	Risk of displacement reduces
None	Expansion of interviews less effective than introduction
None	
None	
Unknown	Mainly reduction in chance of work for newcomers; risk of displacement reduces
Unknown	Mainly effective for newcomers; risk of displacement increases
Decrease	Positive effect on chance of job and social participation, not of regular work
None	Benefits on labour market smaller than creation of public sector jobs, mainly non-material benefits
Decrease	Small group of potential starters; migrants more often take on other migrants; protection of social security a key concern

Table S.5  
Policy of employers

Measure	Budgetary	Employment		Income inequality <sup>a</sup>	Other
	Ex ante	Total	Persons with migration background	Ex ante <sup>b</sup>	
	€ bn				
<b>Recruitment</b>					
External recruitment instead of informal/internal recruitment	N/a	None	Increase	Decrease	
Recruitment via online vacancy databases	N/a	None	Unclear	Unclear	Effective if search targeted at minorities
Targeted approach to persons with migration background	N/a	None	Increase	Decrease	
Attention for diversity in vacancies	N/a	None	Increase	Decrease	Limited number of studies
Assign job application places to schools instead of individuals	N/a	None	Increase	Decrease	Employers can become reticent in offering internships
<b>Selection</b>					
Anonymous job application	N/a	None	Increase	Decrease	Tentative positive results. Research does not always suggest an advantage; persons with a migration background are sometimes at a disadvantage
Structuring of job application and appraisal interviews	N/a	None	Increase	Decrease	
Interview panels	N/a	None	Increase	Decrease	Best results are achieved if panel members form an independent view
Standardised tests	N/a	None	Unclear	Unclear	Depends on cultural bias of tests
Training and awareness-raising of interviewers	N/a	None	Increase	Decrease	
<b>Inclusive organisational culture</b>					
Senior management which visibly, consistently and actively supports diversity	N/a	None	Increase	Decrease	
Training to promote diversity	N/a	None	Unclear	Unclear	Can provoke resistance and have a stigmatising effect; must be part of a broader organisational change

Source: The effects are based on a literature review, but are context dependent.

a) Income inequality between people with and without migration background.

b) After behavioral effects.



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October 2020

