
The European Social Model under Pressure

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Editors

The European Social Model under Pressure

Liber Amicorum in Honour
of Klaus Armingeon

 Springer VS

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Social investment, active labour market policies and migration

Giuliano Bonoli¹

Abstract: Over the last few years, social investment has been at the centre of the debate on how to deal with the crisis of the European social model. The notion of social investment is based on the idea that social problems can be dealt with and inequality can be counteracted by investing in the human capital of disadvantaged individuals and groups. Against this background, the objective of this contribution is to assess the adequacy of the social investment strategy in facing the challenges posed by a multicultural society, by looking at the example of active labour market policies. Relying on meta-analytical research, it shows that access biases to policy measures as well as labour market discrimination severely limit the potential of a social investment strategy to deal with the problem of mainlining social cohesion in increasingly diverse societies. The chapter concludes by arguing that social investment and particularly active labour market policies must be adapted to the emerging European multi-ethnic societies, otherwise they will fail to deliver on the promise of maintaining social cohesion.

1 Introduction

In the search for solutions to the crisis of the European social model, a lot of attention has focused on the notion of social investment as a strategy for reform.² The basic idea behind the social investment strategy is that social problems can be dealt with, and inequality can be counteracted by investing in the human capital of (potentially) disadvantaged individuals and groups. Key policies in a social investment strategy are education, vocational training, childcare policy, and in particular, active labour market policies.

The promise of social investment as a reform strategy is the ability to generate levels of social cohesion and equality that are similar to those achieved by the transfer heavy post-war welfare states, in a way that is compatible with the current demographic and economic context. Investment in human capital leads to higher levels of productivity. In addition, the strategy aims to increase employment rates, particularly of women and older workers. This results in a win-win situation in which social problems and inequality are fought with tools that favour, not hinder, wealth creation.

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² This chapter draws on research published in Bonoli (2013) and Bonoli and Liechti (2018).

Social investment is particularly promising in relation to migration and in the context of the emerging multicultural societies in Europe. In the absence of sizable investment in the human capital of (low skilled) migrants, these face the prospect of permanent exclusion from the labour market and from society. Preserving social cohesion in an increasingly multi-ethnic society requires massive investments in the human capital of the newcomers. The alternative is segmented (dualized) societies where life experiences and chances differ dramatically depending on place of birth.

On paper, the social investment strategy is appealing like few other options. One crucial question, though, is whether it will be able to deliver on its promises. While the jury is arguably still out, some analyses suggest that the potential impact of a social investment strategy to fight poverty and contain the rise in inequality is limited. Social investment policies tend to benefit the middle classes and have difficulties reaching the most disadvantaged (Cantillon 2011; Bonoli et al. 2017). As a result, a social investment strategy is likely to underperform the traditional transfer-based welfare states in terms of promoting social cohesion and fighting inequality.

Recent research on who has access to typical social investment policies indeed suggests that access biases could be a key weakness in this approach. With reference to St. Matthew's gospel, these biases are typically referred to as "Matthew effects", a term which describes social policy interventions that benefit the less disadvantaged often contrary to intentions.³ Studies on who uses childcare for example, have shown that access to this key service has a strong upward social bias. Children in formal group-based childcare come mostly from middle and upper class families (see e.g. van Lancker 2013; Abrassart and Bonoli 2014). There is less research on access biases in other typical social investment policies, but what we do have suggests that there too may be Matthew effects at play. Even in the case of active labour market policies, which are by definition targeting disadvantaged jobseekers, one can see some segmentation and the partial exclusion of the most disadvantaged (Heckmann and Smith 2004; Bonoli and Liechti 2018).

These limitations are very relevant for the problem dealt with in this chapter: the suitability of the social investment strategy to a multicultural society. Often, the access biases mentioned above overlap with ethnic based stratification systems. Low skilled immigrants from culturally distant countries are those who are most likely to be excluded from the main social investment policies. Yet, these are the people for whom there is a crying need for human capital investment.

There is a further complication to be considered. The social investment strategy assumes that once the investment in the human capital of the disadvantaged has been successfully achieved, these will find good quality jobs, adequate with regard to the skill level they have acquired. The problem is that, in a multicultural setting, at all skill levels, ethnic minorities suffer from substantial levels of labour market discrimination. In short, social investment policies may well

³ From St Matthews gospel, with reference to the following verse: *"For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken away even that which he hath."*

succeed in improving the human capital of disadvantaged individuals and groups, but this will be pointless if labour market discrimination prevents them from finding employment.

Labour market discrimination against immigrants is a very serious problem for a social investment strategy in general, and for active labour market policies (ALMPs) in particular. To realise this, one needs simply to compare the (positive) effects produced by the best active labour market policies and the (negative) effect of discrimination. The relatively large literature that is available in relation to both these effects suggests that they are of comparable size. If anything, labour market discrimination generates stronger effects than active labour market policies (see below for details). In other words, the benefit produced by good ALMPs could be totally undone by labour market discrimination.

Against this background, the objective of this contribution is to assess the adequacy of the social investment strategy in facing the challenges posed by a multicultural society. It does so by focusing on one key area of the social investment state: active labour market policy. This area constitutes a crucial test case for the social investment strategy in terms of its suitability to a multi-ethnic society. The chapter starts by discussing the social investment strategy in general terms. It then considers the role that social investment interventions can play in a multi-ethnic society, in particular in relation to the issues of access biases and labour market discrimination. The third section focuses on ALMPs and the issue of access for different groups of disadvantaged jobseekers. Finally, section four concludes and argues that the ethnic dimension must be considered in the current debate on social investment

2 The social investment strategy

Social investment emphasises investment in human capital and the promotion of labour market participation as a strategy to deal with social problems and to reduce inequalities. As a result, ALMPs, childcare and training are the key instruments of a social investment strategy. Investment in human capital is promoted throughout the life course. Much emphasis is placed on investing in children so as to maximise their chances of succeeding in education and in the labour market (Jenson 2002, 2009; Jenson and Saint Martin 2006; Esping-Andersen 2002, 2009). Other age groups are also targeted by investments in human capital, including older people who are often strongly disadvantaged in rapidly changing labour markets. Social investment also refers to measures that remove obstacles to employment or to career advancement. These include the provision of subsidised childcare to parents of young children so that they can enter or remain in the labour market, but also active labour market policies that are less human capital intensive and simply assist jobless people in their efforts to look for employment.

The use of the term ‘investment’ suggests that these policies can generate ‘returns’ for the ‘investor’, i.e. society. Of course, the ability to impact positively on societal well-being is not a specificity of the social investment approach. Social policies, in general, do produce positive

returns for society in terms of improved social cohesion, which benefits all, or in terms of sustained demand for goods and services and thus promoting economic growth. These positive effects of social policies are well known, but are extremely difficult to measure. Benefits in terms of social cohesion may be particularly difficult to quantify, as the value that people attach to it may vary across individuals. The social investment perspective understands returns in stricter, quantifiable terms. Investing in education, childcare or in active labour market policy increases the productivity and earning capacity of individuals, who, as a result, are less likely to require benefits and more likely to be paying taxes. Esping-Andersen insists on this quality of some of the new policies, to argue that spending on them should not count as consumption but as investment. Spending on childcare, for instance, can produce net returns to the exchequer through increased labour market participation by the mother (Esping-Andersen 2009, 96).

The notion of social investment is often used in a prescriptive / normative way. Esping-Andersen (2002) calls for a new “social investment” welfare state. Its key features are the focus on investing in human capital in general. It emphasises the need for policy-makers to take a life-course perspective and hence a strong focus on child well-being and development. Vandenbroucke et al. (2011) call for a social investment pact for Europe, which, even in the current tough budgetary context, should prioritise investment in policies that support children, lifelong learning, work and family reconciliation, and so forth. Hemerijck (2012) calls for “affordable social investment”, or policies that can be developed in spite of the dire state of public finances.

The notion of “social investment” tries to capture a way to help disadvantaged people, based on the improvement of their life chances, especially through investment in human capital. It is one among various notions that have been used to characterise the current transformation of European welfare states. Alternative formulations include references to “active social policy” (Bonoli 2013), flexicurity (Vierbock and Clasen 2009), “recalibration” (Pierson 2001; Ferrara and Rhodes 2000) or a “new social risks” welfare state (Armingeon and Bonoli 2006). These different notions refer to very similar transformations, but emphasise different aspects. The notion of social investment, as it is used by the authors mentioned above, puts more emphasis on human capital development and on a notion of equality of opportunity that entails also some equality in outcomes. In contrast, little attention is paid to work incentives. These aspects of the social investment perspective are strongly present in the academic discussions, but have been much less influential in policy developments.

Like most influential ideas, that of social investment has attracted a reasonable amount of criticism. Hemerijck (2017) has reviewed the main critiques made against the social investment perspective and the related reform strategy. Various aspects have been highlighted in the literature. First, some authors have pointed out that the distinction between social consumption and investment is artificial and inadequate. It suggests that funds spent for income replacement benefits do not generate returns for society. For some policies, however, this is unlikely to be true. For example, programmes like unemployment benefits allow skilled unemployed people

to wait until a suitable job is available (Nolan 2013). Second, the “social investment” rhetoric suggests superiority of productive social spending. This may result in the downgrading of non-directly provided activities, such as caring for the disabled or the elderly (Saraceno 2017).

From the point of view of the topic explored in this chapter, however, the most crucial critique against the social investment strategy refers to its inability to reach the most disadvantaged in society. Cantillon (2011), for example, has shown that the employment gains of the pre-crisis 2000 have accrued essentially to households which already had a fair level of labour market participation. Jobless households, in contrast, did not gain to any significant extent. Van Vliet and Wang (2015) found that increases in spending on social investment policies are associated with increases in poverty rates (though not in the Nordic countries). These studies suggest that social investment policies may be failing to reach those who would need them most.

Most likely, the failure of social investment-inspired reforms to improve the situation of the most disadvantaged is due to the social bias in access to this type of policies – the so-called Matthew effect. Matthew effects have been identified in public services such as health and education (Le Grand 1982) or family benefits (Deleeck et al. 1983), but also in typical social investment policies, such as subsidised childcare (Pavolini and van Lancker 2018) and ALMPs (Bonoli and Liechti 2018).

Over the years, the social policy literature has discussed a number of situations that qualify as Matthew effects. In many cases, universal social policies are designed so as to benefit disproportionately the middle and upper classes relative to other more disadvantaged groups (Gal 1998). This effect, which may be intended or unintended, has been identified in a number of empirical studies. Among the first to point out this effect was Le Grand (1982, 129) in his analysis of the distributional impact of a range of public services, including health care, education, housing and transportation in the UK. His verdict was unequivocal: “Public expenditure, in about all the forms reviewed, is distributed in favour of the higher social groups”. Similar findings were obtained in Belgium by Deleeck et al. (1983) who found that child benefits provided a far greater advantage to middle and upper class families than to low income ones. Higher income families tended to have more children and their children tended to stay longer in full time education, a condition to receive the benefit up to the age of 25.

Social investment policies are likely to be highly exposed to the risk of Matthew effects, for a number of reasons. First, since they imply investment in human capital, they often require some pre-existing level of cognitive and non-cognitive skills. In order to learn professional skills, one must generally master some basic skills like literacy and numeracy. In addition, non-cognitive skills such as perseverance or self-confidence are needed in order to successfully undergo learning processes. These skills are not evenly distributed in society, and we can assume that the most disadvantaged are also those who tend to lack them. At the same time they are essential in order to profit from social investment policies.

Second, the social investment approach is based on the idea that disadvantaged individuals and groups will be able, after public interventions, to cater for themselves by participating in the labour market. The problem is that the labour market is an inherently selective institution. Firms compete against each other and in order to beat the competition they need to employ the best workers. This requirement conflicts with the aspiration for universality of social investment policies (and of social policies in general), where inclusion is dependent on successful labour market integration.

3 Social investment policies in a multi-ethnic society

Overall we can thus expect social investment policies to be plagued by access biases and Matthew effects. This is likely to be particularly bad news for migrants. The two reasons we have highlighted for suspecting the existence of substantial levels of Matthew effects in social investment policies are likely to play out particularly strongly in relation to migrants and ethnic minorities. Low skilled immigrants who received limited education in their country of origin and who lack language skills are at risk of being excluded from the most ambitious social investment intervention, those that unequivocally invest in human capital. In addition, the migration experience and the lack of knowledge of the cultural codes of the host country may impact negatively on some of the non-cognitive skills needed to succeed in education and training. If not everyone can participate and profit from social investment policies, then (low skilled) migrants are arguably among the most likely to be excluded (unless an intentional effort is made to compensate for the exclusion risk, more on this below).

Second, social investment policies work by facilitating and promoting labour market entry. This is obviously the case for ALMPs. However, the same argument can be made also in relation to other social investment policies. The problem in relation to the application of ALMPs in multi-ethnic societies is that members of ethnic minorities face an uphill struggle in the labour market because of employer discrimination. Several decades of discrimination research have shown that in the vast majority of advanced industrial countries, immigrants have a more difficult time than natives in entering the labour market. Studies of labour market discrimination have shown that in OECD countries applicants with a migration/ethnic minority background, all else equal, are considerably less likely to go past the initial stages of recruitment. Several meta-analyses and literature reviews conclude unanimously that ethnic based discrimination is pervasive in European and North American labour markets (see e.g. Ruedin and Zschirnt 2017; Quillian et al. 2017; Bertrand and Duflo 2017).

Employer discrimination is not only a major social and justice problem, it is also a problem for the social investment welfare state and for active labour market policy. Throughout western countries, migrants are over represented among the clients of social programmes (Barret and McCarthy 2008; Nannestad 2007). In some European countries, the risk of receiving unemployment insurance benefits for non-natives is twice as high relative to natives (Barret

and Maître 2013, 12). True, differences in the probability of being on welfare between immigrants and natives usually diminish if one controls for socio-economic status, but this observation is irrelevant to the point that is being made here, i.e. that among the targets of ALMPs, potential victims of discrimination are overrepresented.

In this respect it is also instructive to compare effect sizes of ALMPs to the impact of discrimination. With regard to ALMPs, a meta-analysis of 15 impact studies found that participation increases the hazard rate of finding a job by 9% on average, the range of effects going from – 18% (n.s.) to + 38% (sig. 5% level; Filges et al. 2015, 39). Another meta-analysis, on ethnic-based discrimination in the US, found that the probability to be invited to a job interview for a white applicant is 36% higher than it is for an African-American and 24% higher than for a Latino applicant (Quillian et al. 2017). Effect sizes of ALMPs and discrimination are clearly within the same range, with, if anything, discrimination having a larger impact. Discrimination may entirely undo the hard work done by ALMPs.

Labour market discrimination is a widely studied phenomenon, with contributions from several disciplines. Economists distinguish between two types of discrimination: taste-based and statistical discrimination (Guryan and Charles 2013). The former refers to situations in which applicants with given features (e.g. a certain ethnic origin) are excluded from recruitment procedures because of employers' dislike, a sort of irrational preference against them (Becker 1957). The notion of statistical discrimination, instead, is based on the fact that many important qualities, like productivity, personality or trainability, can neither be observed directly nor in a short time span like a job interview. As a result, employers tend to make use of information that they believe to be associated in probabilistic terms to productivity or other important qualities. This type of statistical reasoning can explain discrimination and more in general employers' reliance on "signals" when selecting candidates. Signals are understood here as easily observable features that are believed to be associated (always in probabilistic terms) with productivity (Akerlof 1970; Spence 1973).

Empirically, the existence of statistical discrimination and the fact that employers use signals when selecting candidates have been demonstrated in a large number of studies. Methodologically, the "gold standard" is the correspondence test method. In this research design, pairs of fictitious applications are sent in response to real job openings. Within each pair, the two applications are identical (or equivalent) except with regard to the feature that is being investigated, for example ethnicity. Researchers then monitor the call back rate and interpret differences as a measurement of discrimination. This method has succeeded in documenting discrimination against ethnic minority and/or immigrant groups in most western countries (see e.g. Ruedin and Zschirnt 2017; Quillian et al. 2017; Bertrand and Duflo 2017).

4 Active labour market policy

Active labour market policy constitutes a key component of the social investment strategy (Armingeon 2007; Bonoli 2010, 2013). Rather than simply providing a cash benefit to those who are unable to work, active labour market policy aims to remove obstacles to employment, upskill workers or to provide access to work experience. Active labour market policy differs also from the neo-liberal approach to worklessness, based on strengthening incentives only through measures such as time limits on benefit reciprocity, lower benefit rates or sanctions.

The label active labour market policy (ALMP) is used to describe an extremely diverse range of policies, going from vocational retraining to welfare-to-work or workfare schemes for social assistance beneficiaries. The result is that discussions of ALMPs are often confusing. ALMPs have different origins. In Sweden, ALMPs were developed as early as the 1950s, with the objective of improving the match between demand and supply of labour in the context of a rapidly evolving economy, essentially by financing extensive vocational training programmes (Swenson 2002). At the opposite extreme, the term “active” has been used to describe the approach developed in various English speaking countries, which combines placement services with stronger work incentives, time-limits on reciprocity, benefit reductions and the use of sanctions. This has also been referred to as the so-called “workfare” approach (King 1995; Peck 2001).

In fact, as many have pointed out, active labour market policy is a particularly ambiguous category of social policy (Barbier 2001, 2004; Clasen 2000; Clegg 2005). In order to deal with this problem, various authors have tried to develop a more differentiated view of this policy area, based on the identification of different types of ALMPs. These classifications tend to draw a line between the ‘good’ activation policies, which are about improving human capital, and the ‘bad’ ones, which essentially use negative incentives to move people from social assistance into employment. Examples of such classifications are found in Torfing (1999) who distinguishes between “offensive” and “defensive” workfare. Offensive workfare, which is the term used to describe the Danish variant of activation, relies on improving skills and empowering jobless people rather than sanctions and benefit reduction, which is the “defensive” variant found in the US.

In a similar vein, Barbier distinguishes between “liberal activation” (characterised by stronger work incentives, benefit conditionality and the use of sanctions) and “universalistic activation”, which is found in the Nordic countries and relies on extensive investment in human capital essentially through training (Barbier 2004; Barbier and Ludwig-Mayerhofer 2004). Barbier also hypothesises the existence of a third type, found within Continental Europe. This third type of activation emphasises “*insertion sociale*”, a notion that refers more to full participation in society and less to the fact of actually having a job. Its tools are job creation programmes in the public or non-profit sector (Enjolras et al. 2001; Barbier 2001).

Dichotomies between human investment and incentive-based approaches to activation are a useful starting point in making sense of an ambiguous concept. However, they constitute an oversimplification of the real world and run the risk of carrying value judgements. A different type of distinction is found in Clegg (2005), who identifies two policy mechanisms that can be subsumed under activation: circulation and integration. The idea behind circulation is to improve the chances of an unemployed person to enter in contact with a potential employer (i.e. through placement services). Instead, integration refers to instruments that more directly bring the jobless into employment, like benefit conditionality or sheltered employment (Clegg 2005, 56). Clegg’s approach is promising, insofar as it focuses on the mechanisms behind the active approach and avoids the risk of making value judgments by simply drawing a distinction between ‘good’ and ‘bad’ active policy.

Elsewhere, I developed a two-dimensional classification of ALMPs (Bonoli 2010, 2013). The first dimension concerns the extent to which the objective of policy is to put people back into unsubsidised market employment, provided either by private or public employers.⁴ Many programmes have this objective, but some, especially in continental and northern Europe during the 1980s and early 1990s, looked more like alternatives to market employment. These took the shape of temporary jobs created in the public or in the non-profit sector. They were often used to re-create an entitlement to unemployment insurance rather than to increase the chances of landing an unsubsidised job. I call this dimension the “pro-market employment orientation”. The second dimension refers to the extent to which programmes are based on investing in jobless people’s human capital. Investment can take the shape of vocational training or help in developing the sort of soft skills employers look for when selecting candidates. Intersecting these two dimensions allows us to identify different types of labour market policy and to map the variety that exists under the label “active labour market policy”.

Table 1: Four types of active labour market policy

		Investment in human capital		
		None	Weak	Strong
Pro-market employment orientation	Weak	(passive benefits)	Occupation -Job creation schemes in the public sector -Non employment-related training programmes	(basic education)
	Strong	Incentive reinforcement -Tax credits, in work benefits -Time limits on reciprocity -Benefit reductions -Benefit conditionality	Employment assistance -Placement services -Job subsidies -Counselling -Job search programmes	Upskilling -Job related vocational training

Source: Adapted from Bonoli (2010).

⁴ By “unsubsidised market employment” I mean jobs that are created as a result of a demand for labour by private or public employers, and not in order to absorb excess labour supply.

The classification of ALMPs presented in Table 1 allows us to generate hypotheses with regard to the type of ALMPs that are more and less likely to include/exclude ethnic minority members. More specifically, we can assume that “upskilling” will be the most difficult category to enter for migrants, because that is where more pre-existing abilities are likely to be required. These concern both cognitive and non-cognitive skills as well as language skills.

Migrants might have an easier time accessing employment assistance measures which require less starting human capital. In fact, the level of human capital required to profit from these measures depends almost entirely on the requirement of the jobs that are being applied for. To the extent that a sufficient supply of low skill entry level jobs are available, low skilled migrants can theoretically profit from these interventions.

Ethnic minorities, however are likely to be overrepresented in the third type of ALMPs discussed here, i.e. occupation. These are programmes like temporary jobs in the public sector, where very little pre-existing human capital is required. They are often the default option for jobseekers who cannot access other programmes. Finally, the forth category, incentive reinforcement, is likely to concern all jobseekers regardless of ethnic origin.

To sum up, the reasoning presented above leads us to hypothesise that the distribution of immigrants among ALMPs participants will be skewed. They will be underrepresented in training, and overrepresented in the category “occupation” (Table 1). Their representation in employment assistance programmes will instead be somewhere in-between.

But are these theory based expectations confirmed by empirical analysis? Fortunately it is relatively easy to answer this question. In fact, in the vast literature evaluating ALMPs, researchers often report information on who has accessed the programme under scrutiny. Bonoli and Liechti (2018) have surveyed this literature with meta-analytical techniques. They found that the distribution of migrants among ALMPs participants is indeed skewed. However, their results are only partly in line with my expectations. Basically immigrants are slightly underrepresented among participants in training programmes. They are strongly underrepresented in one type of employment assistance programme, i.e. job subsidies for private sector employers. Contrary to expectations, they are also underrepresented in occupation-type programmes (Table 2).

Table 2: Access bias for migrants in ALMPs (representation relative to natives): Number of studies

	Immigrants are underrepresented	Equal representation of immigrants and natives	Immigrants are overrepresented
Training	11	9	8
Employment subsidy	6	1	1
Employment programme (Occupation)	7	6	0

Source: Bonoli and Liechti (2018).

The results of the analysis by Bonoli and Liechti (2018) point in a few different directions. First, there are very few programmes in which immigrants are overrepresented. These are found almost exclusively in the training category. Unfortunately the literature reviewed by Bonoli and Liechti does not allow them to say anything with regard to the type of training delivered. However, it could very well be the case that migrant overrepresentation concerns only language training. If this were the case, then there would still be an access problem to the other training courses that are more directly targeted on professional skill. This hypothesis is plausible, given the fact that the majority of programmes surveyed do display an access bias, either positive or negative for migrants.

Second, the biggest access bias problem is found in employment subsidies. This is at first sight surprising, because these could precisely be useful measures for migrants. In a meta-analysis of the effectiveness of different ALMPs for immigrants, Buteschek and Walter (2014) found that wage subsidies are the most effective category of measures for them. How do we explain the fact that immigrants are vastly underrepresented? The answer to this question could be labour market discrimination. In order to access a wage subsidy a job seeker needs first to find an employer who is willing to hire him/her (with a subsidy). It could be the case that immigrants targeted by this policy are considerably less likely to be offered a job, even with a subsidy.

Third, contrary to expectation, there is no overrepresentation of immigrants in the “occupation” category. This suggests that these programmes, even though designed for labour market distant candidates, are not meant for migrants. It could be the case that in reality immigrants are overrepresented among non-participants.

These very detailed results suggest that access biases and a Matthew effect may constitute a serious problem with regard to the ability of ALMPs to reach disadvantaged immigrants. The main reason for this may not be so much the lack of pre-existing human capital, as hypothesised, but more labour market discrimination and absence of suitable programmes.

Given the above, it is at best unfortunate and at worst utterly inadequate, that active labour market policies have so far mostly ignored labour market discrimination, which could potentially be one of the biggest obstacles to labour market re-entry for a sizable proportion of their target population. True, some of the existing tools can be seen as indirectly targeting discrimination. This is the case of wage subsidies that aim to make disadvantaged candidates more attractive by covering part of the wage costs (Bernhardt et al. 2008), though given the high deadweight losses their effectiveness as an anti-discrimination tool is highly questionable (Marx 2001; Welters and Muysken 2006). Work experience schemes (e.g. internships, employment programmes) can also be seen as an indirect way to reduce the impact of discrimination, as they allow potential employers to observe applicants’ true qualities. In addition, it is quite possible that case workers provide jobseekers with advice that is aimed at limiting the putative impact of discrimination. However, in general the toolkit of ALMPs does

not include measures aimed at explicitly reducing the risk of applicants being excluded from jobs because of discrimination.

Research on ALMPs has also largely ignored the connection between ALMPs and labour market discrimination, and there is little knowledge of interventions that are designed to reduce the impact of prejudice on labour market access. The bulk of research on how to counteract discrimination has been done by psychologists, in the lab and often with subjects selected among student populations. The extent to which these findings can be generalised to employers acting in real labour markets is probably rather limited (Bertrand and Duflo 2017, 338-339). More relevant to the real world of recruitment are some recent studies on blind hiring (e.g. anonymous CVs), who found interesting but rather mixed results (Krause et al. 2012; Behaghel et al. 2014).

5 Conclusion: ALMPs for a multi-ethnic society

The objective of this chapter was to assess the suitability of social investment as a strategy to deal with the crisis of the European social model in the context of increasingly multi-ethnic societies. The issue has been discussed in relation to a policy that can be considered as the backbone of the social investment welfare state, i.e. ALMPs. The evidence available in relation to both access biases to ALMPs and labour market discrimination, suggests that in order to make the policy suitable to the challenge posed by a multi-ethnic society the issue of discrimination needs to be tackled head on.

ALMPs should be more explicit about targeting discrimination and migrant disadvantage in general. First, in relation to access, if anything, immigrants should be overrepresented among the users of ALMPs across the board, as they are likely to lack many features that are needed to succeed in the labour market: human capital, language skills, knowledge of the local culture, informal networks, etc. This would be perfectly rational from the point of view of budget sensitive governments, since immigrants are overrepresented among welfare clients.

Second, policy should be more serious in fighting discrimination. This task is generally not considered part of what ALMPs have to do, and it is left to judicial authorities or general anti-discrimination bodies. However, the substantial impact that labour market discrimination has in terms of limiting the access to the labour market for immigrant jobless people suggests that ALMPs should incorporate fighting discrimination explicitly among their objectives.

The reason presented here refers to ALMPs, but can to some extent be generalised to other aspects of the social investment strategy. As mentioned above, programmes such as childcare suffer from access biases. While these may not be due to discrimination, the fact that children with an immigrant background are tendentially excluded from group-based formal childcare constitutes a problem in the ability of the social investment strategy to reach the most disadvantaged. Social investment need to take into account the multi-ethnic quality of our societies and develop suitable interventions.

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