



Roma Inclusion is Smart Economics

- Illustrations from Bulgaria, Czech Republic, Romania and Serbia

Joost de Laat and Christian Bodewig

Key Messages¹

- Roma are Europe's largest and poorest minority group, as well as one of its fastest growing populations, with approximately 70% Roma living in Central and Eastern Europe.
- A large share of new labor market entrants are Roma - nearly one-fifth in Bulgaria and Romania. Most Roma do not depend on social assistance but rather want to work and cannot find jobs. The lack of secondary education among the vast majority of Roma is a major impediment to their labor market participation.
- Demographic changes brought on by young and growing Roma populations and aging and shrinking majority populations increase the economic need to close the labor market gap between Roma and non-Roma².
- The fiscal benefits of inclusion far outweigh the investments necessary to close the education gap between the two populations for the four countries studied: Bulgaria, Czech Republic, Romania, and Serbia.
- Bridging the labor market gap could add up to six billion euro to economic production and two billion euro to government revenues of the four countries annually.

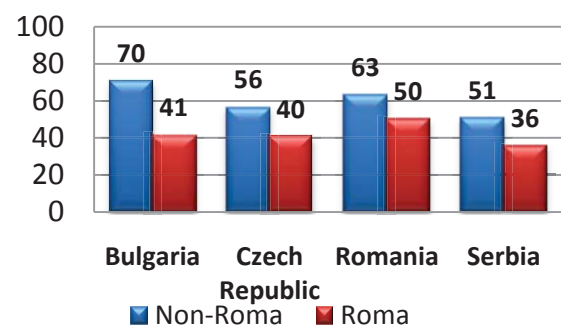
Roma Inclusion is Smart Economics

Roma are Europe's largest and poorest minority group as well as one of its fastest growing populations, with approximately 70% of Roma living in Central and Eastern

Europe. This Knowledge Brief focuses on the economic side of Roma inclusion in Bulgaria, the Czech Republic, Romania, and Serbia, the four countries for which data were available.³

The current labor market integration of Roma in the four countries is very poor. First, Roma are much less likely to be working than non-Roma (Figure 1). Across the four countries, the employment gap is approximately 26 percentage points.

Figure 1: Proportion of Non-Roma and Roma with Jobs (including informal employment)



Source: Authors' calculations

Second, Roma with jobs earn much less than non-Roma (Figure 2). The average wage gap is almost 50% across the four countries and is related to the lower educational attainment of Roma.

The challenges posed by the very large gaps in labor market outcomes are compounded by the countries' demographic trends. The trend of declining majority populations and increasing elderly populations means that young labor market entrants, and increasingly

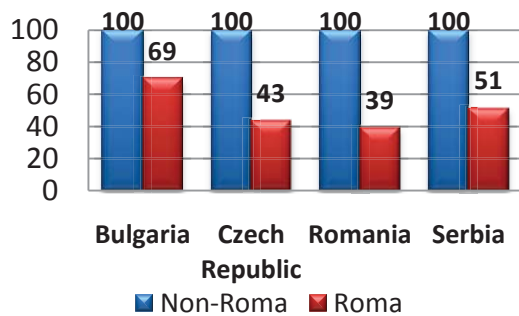
¹ This Knowledge Brief is based on the report: "Roma Inclusion: An Economic Opportunity for Bulgaria, Czech Republic, Romania, and Serbia," 2010, World Bank. For a full list of authors and contributors, please see the note at the bottom of the report. For the full report, visit www.worldbank.org/roma.

² These four countries represent more than two-thirds of Roma in Central and Eastern Europe.

³ For Bulgaria, the authors used the Multi-Topic Survey (World Bank, 2007) and the Crisis Monitoring Survey (World Bank and OSI, 2010); for the Czech Republic, the Roma Labor Force Survey (Govt of CZ and World Bank, 2008) and the Czech Republic Labor Force Survey and Household Budget Survey (Czech Statistical Office, 2008); for Romania, the Family Budget Survey (Romanian National Institute of Statistics, 2008); and, for Serbia, the Labor Force Survey (Serbia Statistical Office, 2009) and the Living Standards and Measurement Survey (World Bank, 2007).

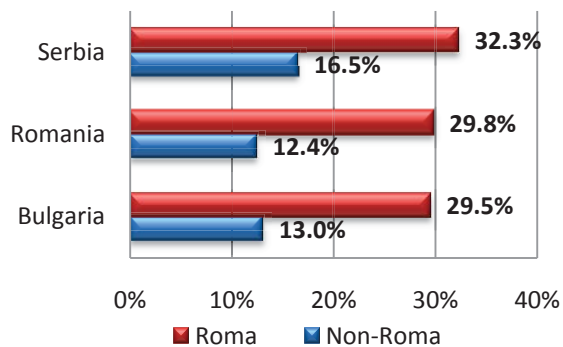
among them Roma men and women, will have to pay the taxes that pay for pensions, health care, infrastructure, etc. As shown in Figure 3, Roma will be entering the labor market at relative rates that are 2-2.5 times higher than the majority populations. Young Roma are entering labor markets at much higher rates than aging majority populations - as many as 12% of new labor market entrants in Serbia are Roma, 21% in Romania, and 23% in Bulgaria.

Figure 2: Roma Earnings Relative to Non-Roma



Source: Authors' calculations

Figure 3: Proportion of Roma and Non-Roma Populations (age 0-15 years)



Source: Authors' calculations

Even lower bound official population estimates for Roma (1.1 million across the four countries) show that there are large economic and fiscal benefits from ensuring equal labor market opportunities for Roma - more economic productivity and increased fiscal benefits like lower government payments for social assistance (such as guaranteed minimum income programs) and increased revenue from income taxes. For the four countries of Bulgaria, the Czech Republic, Romania, and Serbia alone, the economic benefits are likely to be at least 2 billion euro annually and the fiscal benefits 700 million euro annually. The estimated economic benefits across Eastern Europe and the Balkans are 3.4 billion euro annually and 1.2 billion euro in fiscal benefits.

Using common higher population estimates that put the Roma population for the four countries at 3.1 million (for example, UNDP 2006)⁴, the economic benefits from inclusion for the four countries are at least 5.5 billion euro annually and fiscal benefits at least 1.8 billion euro annually. Similarly, the corresponding higher population estimates for Eastern Europe and Balkans as a whole are 9.9 billion euro in annual economic gains and 3.5 billion euro in annual fiscal gains.

Under both the lower and upper bound Roma population scenarios and estimates, the benefits mentioned here are conservative because they do not take into account: (a) that the share of Roma in the working age population will continue to grow; (b) benefits in terms of economic growth dynamics; and (c) other behavioral benefits such as reduced risky health behavior and lower risk of crime driven by social exclusion and poverty.

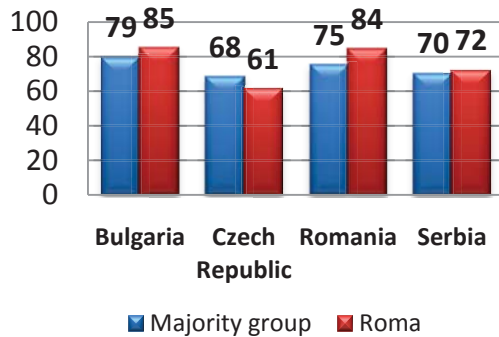
The fiscal benefits far outweigh the investments needed for closing the education gap between Roma and non-Roma in Eastern Europe. How 'much' are these fiscal benefits? Supposing it were to cost 50% more per Roma pupil than per non-Roma pupil to ensure that Roma children have the same educational attainments at all levels as the majority populations, the necessary investments needed to close the education gap would only be approximately 30% of the potential fiscal benefits from such investments across the four countries.

Roma Want to Contribute and Have the Potential to Do So

Facts about the Roma do not accord with common perceptions about them in the region. Roma want to work but cannot find jobs in the countries mentioned. Often, public perception holds that Roma do not want to work and are overwhelmingly dependent on social assistance programs such as "guaranteed minimum income." However, as Figure 4a shows, among males, while many do not have work, their labor force participation rates are *higher* than those of non-Roma in three out of the four countries. Roma participation is lower only in the Czech Republic, but unlike for the other three countries, the Czech survey is not nationally representative but rather representative of 70,000 Roma living in marginalized localities.

⁴"At Risk: Roma and the Displaced in Southeast Europe" United Nations Development Program, 2006).

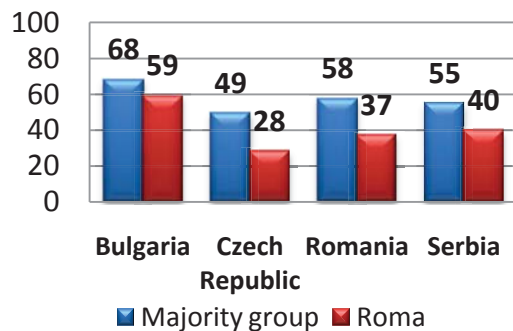
Figure 4a: Labor Force Participation Rate - Males



Source: Authors' calculations

Labor force participation rates among Roma women are somewhat lower (Figure 4b) than for the majority population, but not by a wide margin in Bulgaria and Serbia. Hence, while Roma are *willing* to work, often they cannot find jobs. In fact, for women, 39% of those looking for jobs remain unemployed, and for men 20% of those looking for jobs remain unemployed.

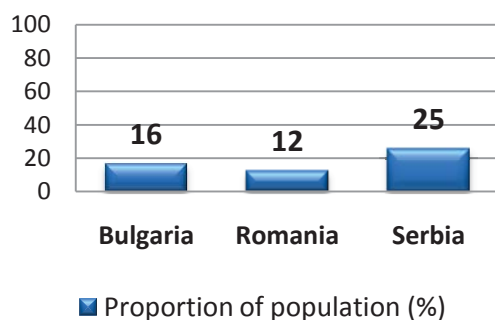
Figure 4b: Labor Force Participation Rate - Females



Source: Authors' calculations

Again, contrary to popular perception, the vast majority of Roma do *not* depend on social assistance in the four countries. While some Roma do receive guaranteed minimum income social assistance (as expected, given the high levels of poverty), the vast majority do *not* (Figure 5).

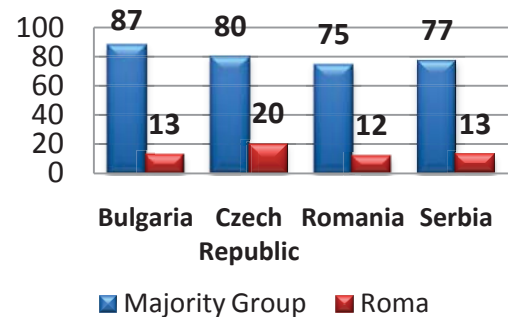
Figure 5: Percentage of Roma Receiving Guaranteed Minimum Income



Source: Authors' calculations

However, education facts *do* accord with perceptions: the vast majority of Roma do not have secondary education or higher in the four countries. Less than one-fifth of working age Roma have completed secondary education, compared with more than three-quarters of non-Roma (Figure 6). This makes it much more difficult for the Roma to find reasonably-paid employment.

Figure 6: Percentage of Roma with Secondary or Higher School Completion



Source: Authors' calculations

There Is Knowledge about What Works for Promoting Roma Labor Integration

There are many policies that can help Roma labor market integration in ECA, both in the short and long terms:

- Improving outcomes of the current working-age population through employment activation.
- Improving secondary completion to give young Roma labor market entrants a better chance.
- Improving school readiness to reduce segregation and special schools and ensure that the next generation of Roma enters the labor market with the same skill sets as non-Roma.

In some instances, achieving these outcomes will require a multi-sectoral approach that also includes focusing on productivity, housing, health, and mobility. It will also require complementing interventions with rigorous monitoring and evaluation to learn which specific policies and programs are most effective in improving results and generating public support for proven programs.

Labor activation programs include a variety of programs such as skill-building, targeted subsidized employment programs, job search assistance, public works programs, and even childcare programs. The appropriate programs must be based on an analysis of the (sub-) national situations. For example, given the very high labor force participation rates but low skill levels among Roma men, improving skills and assisting in job search may be

among the most appropriate methods for improving their labor integration. Targeted employer subsidies could be provided in cases where discrimination is a barrier, for example, through subsidized work attachments. Similarly, programs improving skill levels among Roma women and enhancing women's labor market attachment through childcare and early childhood education programs are likely to improve the labor market outcomes of Roma women.

Lessons can be drawn from various types of labor activation programs that already exist or are starting. One such program is the European Social Fund (ESF)-supported Acceder program for Gitanos in Spain, which helps Spain's Roma population gain access to employment. The program provides vocational training and establishes direct links between the Roma and companies. Similarly, the European Commission's Directorate General for Regional Policy, with funding support from the European Parliament, is collaborating with the World Bank and UNDP on monitoring and evaluation of the newly established Kiut program in Hungary. The Kiut program not only provides microfinance but also supports successful loan applicants in obtaining appropriate registrations and business licenses. This program does not exclusively target Roma but instead targets poor communities with high Roma unemployment.

Improving school attendance and completion requires both supply side and demand side interventions. Supply-side interventions may include school desegregation efforts, improving school quality through grant programs that support teacher training, Roma mediators, etc. An example of this type of intervention is the delivery of local social services programs that the Government of Serbia is implementing in collaboration with the World Bank, in which municipalities can apply for grants to support schools, to improve school quality and reduce segregation. Demand side interventions include supporting Roma mediators, conditional cash transfer (CCT) programs, etc. The World Bank is currently collaborating with the Government of FYR Macedonia on the design, implementation and evaluation of a CCT program for poor households (a top-up for households already eligible for social assistance if they have children of secondary school age and these children attend school at least 85% of the time).

Improving school readiness is essential for addressing the employment gap between Roma and non-Roma. Streaming into special schools, school segregation, and early school drop-out rates are issues that can be addressed by improving early childhood development (ECD) outcomes and giving young Roma children an equal starting point as they enter primary school. An excellent example of efforts in this area is 'A Good Start' program, currently being implemented by local partner organizations of the Roma Education Fund in Slovakia, Hungary, Romania, and FYR Macedonia. As with the Kiut microfinance program, the European Commission's Directorate General for Regional Policy collaborates with the World Bank and UNDP on project monitoring and evaluation.

Another example is the Bulgaria Social Inclusion Project (SIP) which the Government of Bulgaria will begin implementing in late 2010 with technical support from the World Bank. This project will provide grants to municipalities to improve the provision of ECD services explicitly targeting poor communities.

Resources Are Available

Apart from national resources, EU structural funds are an important financing source for programs and projects that foster Roma inclusion. The European Commission works to mainstream Roma inclusion in all EU policies, for example, in initiatives such as the Youth in Action and Lifelong Learning programs. This mainstreaming approach allows the Commission to support activities through a variety of EU funding mechanisms, especially the ESF and European Regional Development Fund (ERDF). In order to use resources effectively, it is necessary to enhance the collection of data to undertake proper diagnostics and improve information exchange on what programs and policies work, build capacity for multi-sector approaches, strengthen partnerships to leverage knowledge, and include Roma representatives on program monitoring committees.

About the Authors

Joost de Laat is a Human Development Economist in the Human Development Sector Unit of the Europe and Central Asia Region of the World Bank. Christian Bodewig is a Senior Economist at the Human Development Sector Unit of the East Asia and the Pacific Region of the World Bank.