

Changing Discourses, Changing Practices: The Roma as Human Resource (RARE)

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Policy Brief

The gains from integration of Roma persons into the labour market

Roma persons in Central and Eastern European countries – due to low levels of education, discrimination and segregation – have much lower (legal) employment rates than the majority population. Not only does this translate into low incomes and poverty for the Roma, but it also means a loss in production and national income for the society. The recent economic upturn – which led to a shortage of skilled labour – has shed ample light on this issue.

It is important for decision makers and the general public to understand that finding policies and services which help (uneducated) Roma requires significant investment in terms of financial (and intellectual) resources, but they will pay off in the longer run. This is certainly the case when compared to the current – often ineffective approaches which do not help Roma out of the circles of welfare benefits – illegal, and uncertain jobs – public works. More effective policies will economise on welfare benefits, help Roma become taxpayers, and help businesses by providing them with skilled manual workers.

Our approach

Measuring to what extent alternative novel approaches piloted in the *RARE* programme are efficient (in the sense that they improve the re-integration of Roma into the labour market) and are cost effective (meaning that they achieve integration at a lower cost than the status quo) are key elements of the *RARE* programme. Furthermore, we will show how wider society would benefit from extending these approaches to more locations in Central and Eastern Europe.

The first building block is to find a credible impact evaluation strategy – in other words to find an empirical approach with which the researcher can say that the improvement in the beneficiaries' labour market situation is due to the programme (and not to some other factors). We chose to pursue a quantitative (counterfactual) evaluation strategy, whereby we compare the changes in the situation of the beneficiaries to a comparable group of non-beneficiaries. To gather data, a short survey was distributed among the beneficiaries and the suitably defined comparison group, both before and after the end of the pilots. Throughout this step of our research we encountered several issues: (a) we did not have

enough time to measure the long-term outcomes of programme participants; (b) the number of persons targeted was small in order to draw precise conclusions.¹

The second building block was to gather information about the (total) cost of the pilots, as well as the current status quo (the alternative approach). Furthermore, we gathered data about the earnings of the Roma, as well as on welfare benefits to be able to calculate the gains from the programme, which materialise in (a) improved incomes for the participants and (b) reduced welfare payments and increased income taxes for the state. Finally, we had to estimate what would be the benefit from expanding the programmes – where we adapted a methodology from the World Bank and complemented it with realistic assumptions.

An important illustrative example

The pilot in Pécs provided (informal) vocational training – by the way of senior artisans - to Roma from two segregated settlements. The recruitment process, started with an information session, followed by a short questionnaire (including a simple skills test). The second step, which was a random allocation of the 30 eligible, Roma who had sufficient basic skills and motivation into a ‘participant’ and a ‘control’ group guaranteed a credible evaluation strategy.

The result of the pilot were positive, with the earnings of participants improving by 25 percent more than those of non-participants after the programme, contributing to an increase of around 45 EUR per month in terms of per head household earned incomes.² Furthermore, 6 months after the end of the programme, 70 percent of participant were (still) employed. The programme was much more expensive than the status quo (public works participation), as its total monthly per head costs were close to three times higher. However, we can calculate based on our findings, and using additional assumptions, that the RARE pilot programme was cost effective, as its (net) savings were roughly 570EUR per participant per year for the state (relative to the status quo).³

When one considers the scenario that the programme is expanded more widely, there are some issues to think about. First, that the participants were likely to be more motivated to learn new skill and to be re-employed than the long-term jobless Roma living in socially excluded communities. Second, that such a programme can only operate in large towns, where there is sufficient demand for the artisanal skills learned. Third, that there was a strong congruency between HCSOM’s current and previous services and the RARE programme, thus taking such a programme to towns where HCSOM (or a similar organisation) has not yet started doing social work, will likely result in more modest results and/or higher costs. Thus, we assume that (a) a similar programme, with similar participant

¹ Furthermore, when the target group was not the Roma themselves, rather organisations working with them, the immediate result of the pilot had to be ‘translated’ into potential changes in outcomes for the Roma population.

² In other words, the earned income of participant households increased on average by 45 EUR per month, for each adult member of the household.

³ This is primarily due to our assumption that all participants found a job for 9 months (while the job-finding rate of public works participants is only 20 percent).

numbers can be implemented in all larger towns in Hungary (of which there are 20), so altogether 300 participants will be included; and (b) that results will be 20 percent lower when expanding the programme. In such a case, the investment cost would be around 600,000EUR but would bring 300,000EUR for the state (in the form of additional taxes and saved welfare benefits) in one year. Thus overall, this programme would cost the state about 100,000EUR less than if participants took part in a public works programme. We need to further keep in mind that the families of the participants would also benefit, which would be of the order of 300,000EUR increased income.

The results of similar interventions in the Czech Republic and in Serbia also suggest that vocational (or entrepreneurial) training in combination with mentoring can serve as a way out of poverty for young Roma and at the same time yield returns for the state and wider society. In Vojvodina (Serbia) fifteen young persons, most of whom previously only had informal, seasonal work gained additional (vocational) knowledge through on-the-job training. Less than three months after the end of the training, eight of the participants are about to sign formal employment contracts. In Brno (Czech Republic) fourteen persons participated in business training. Needless to say, developing full-fledged business plans is an arduous task, but five of the participants were successful in this respect. While they did not (yet) start their own business, four of them landed jobs that lead them out of long-term unemployment. Even though there is a large amount of uncertainty involved in developing a business, the investment into participants' business training already paid off by moving them from welfare benefits to legal work.