

ANNEX

The report builds on a range of data sources and special survey work as well as qualitative research

a. Labor force survey in marginalized localities

The data on Roma employment presented in this study are from a specially designed Labor Force Survey conducted in May 2008 in 12 marginalized localities where many Roma reside, six of them in Bohemia and six in Moravia, with ten towns and two micro-regions.

Bohemia	Moravia
1. Microregion Tolštejnsko	1. Microregion Jesenicko
2. Ústí nad Labem	2. Brno
3. Most	3. Přerov
4. Cheb	4. Břeclav
5. Roudnice nad Labem	5. Holešov
6. Broumov	6. Slezská Ostrava

During the research a 13th town was added, the town of Jirkov in Northern Bohemia, due to the fact that in some localities enumerators did not find enough Roma families to fill up the desired number of questionnaires.

The sample of surveyed localities was drawn from a list of marginalized localities assembled by the Office of the Government of the Czech Republic to guide the work of the Agency on Social Inclusion established in 2008. The survey is, therefore, not representative of the Roma community in the Czech Republic as a whole, but representative of those Roma residing in identified marginalized localities. Therefore, when referring to “Roma” this report implies those Roma who reside in known marginalized localities.

The surveyed localities are mainly, yet not exclusively, inhabited by Roma, and the Roma population shares vary. The survey, therefore, also covered a limited number of non-Roma residents of excluded communities. Although their number was small, in some cases the comparison between Roma and non-Roma workers was still possible. Roma were identified using an answer to the following question: “This is a survey of the Roma community. Do you consider yourself Roma?”. According to this self-identification criterion, there were 1050 Roma in a total sample of 1150 individuals. Although the overall sample size is not small, there were instances of wide error margins in responses

to some questions due to small sub samples, e.g. the unemployed. Cases of wide error margins are indicated in the report.

The questionnaire follows a standard Labor Force Survey structure and captures all aspects of labor market experience of surveyed individuals. In addition, it includes a simplified skills assessment to assess actual levels of functional literacy and numeracy skills.

b. Skills Assessment

The Labor Force Survey included a simple skills assessment test for surveyed individuals. The aim of the test was the identification of general competence of understanding and using information in everyday life situations. The structure of the test had to be adjusted to the sample size, its characteristics and above all the timetable. For these reason the test could not be realized in usual scope. Nevertheless, its reduced version fulfills all the principles of functional literacy measurement – which is to examine three basic components (literary, documentary and numeric literacy). In order to obtain sufficient number of data concerning employment and eligibility of the target group, the test was focused on the examination of competence in using information, in particular through solving model situations concerning official communication, travelling, orientation in the legal system and orientation in time.

Test outcomes of each respondent were evaluated in the following way: 0 was given to no answer or an incorrect answer, 1 to a correct answer. Questions 4 and 6 were rated as follows: 0 was given to no or an incorrect answer, 1 to partly disposed, and 2 to completely disposed. The respondent could then gain 0 – 8 points. According to the total score of each respondent the outcomes were divided into three categories: the total of 0-2 – Category 3, the total of 3-5 – Category 2, and the total of 6-8 – Category 1.

The skills assessment categories represent the following characteristics:

- Category 3 – Almost zero capability of understanding the language of institutions, competence of understanding hypothetical questions less than 40%, numeric literacy almost zero, inability of solving simplest arithmetic operation.
- Category 2 – Basic orientation in institutional language, competence of understanding hypothetical questions 40% at least, numeric literacy and legal conscience at a substandard level.
- Category 1 – Ability of abstraction and hypothetic cogitation at a level of at least 80%, basics of numeric literacy and legal conscience.

Skills Assessment Questionnaire

1. You are about to buy a carton of cigarettes at a reduced price of 50%. The original price was 200 CZK. How much will you pay?

2. Situation at the post office. Imagine you need to pay a post remittance. Which of the given counters you choose?

Parcel service Letter services EMS – express message service
Financial services Insured letter receipt Bank deposits and wages

3. Your physician has prescribed you a medicine which is to be taken three times a day every eight hours. What time do you take it?

4. Imagine you have to arrange several documents necessary for social benefit. In this matter you have to visit the appropriate office, which is not situated in the location of your residence or your workplace. Which of the given bus lines would you choose in order to visit the office during morning hours and return to your workplace until the beginning of the afternoon shift (until 13:30)? Your departure place is the place of your residence (all the three locations will be specified)

OPENING HOURS

M.	8:00 – 17:00
T.	8:00 – 13:00
W.	8:00 – 17:00
T.	8:00 – 13:00
F.	8:00 – 13:00

5. Imagine you have bought goods in total of 17,470 CZK on hire-purchase. To pay off the debt you can choose one of the given alternatives:

- A) Maturity of credit: 15. 1. 2006 – 15. 12. 2006, monthly payment of 751 CZK, additional charge of 9,046 CZK until 1.1.2007
- B) Maturity of credit 15. 1. 2006 – 15. 12. 2008, monthly payment of 751 CZK, additional charge of 0 CZK.

Which of the two given alternatives is cheaper in total?

6. Please specify terms of written (formal) job contract.

c. Qualitative research

The research for this report also included qualitative research: (i) focus groups with jobless Roma, (ii) structured interviews with experts in the twelve survey localities and (iii) structured interviews with employers.

Two **focus groups** took place, with ten participants each, in the municipality of Velké Kuněčice in the Jeseník microregion and in the Předlice locality in Ústí nad Labem. The focus groups covered views of jobless Roma with respect to their situation and barriers in finding work, options for overcoming such barriers as well as the roles of various actors, from social services, the Labor Office, schools, employers and businesses, NGOs and others.

Expert interviews were conducted by trained interviewers in all 12 localities. The interviewers' questions were primarily focussed on the issue of experience with Roma employment, personal motivation, and barriers to entering the labour market. The experts represented a range of specialists on the issues of mediating employment, long-term unemployment, child and adult education, matters of social legislation and regulation and labour recruitment. The expert interviews also included employers representing state institutions, non-governmental non-profit organisations, as well as businesses. Experts included Roma as well as non-Roma.

Overall the number of people who commented on the employment of Roma included 42 Labour Office representatives – managers, employment agents, and counsellors; 24 representatives of non-governmental, non-profit organisations – mostly organisations involved in providing social services, often targeted to Roma; 6 representatives of local governments; 24 workers from municipal departments of social services – managers, field social workers, social assistance specialists, and Roma consultants; 2 representatives from regional authorities – among them one regional coordinator for Roma; 14 experts from primary schools – educators, directors, and teaching assistants; 2 employees of personnel agencies who deal with the recruitment of employees; 8 potential employers, and 1 municipal police officer. Roma made up about 20 percent of the experts, with the majority of them working in the non-governmental, non-profit organisations and in the positions of teaching assistants at primary schools as well as field social workers at the relevant social affairs offices.

Structured interviews with 20 employers were conducted to determine views about and experience with hiring Roma as well as hiring decisions and patterns in general. The interviews were conducted in small and large companies as well as locally and internationally owned firms and across big cities, medium-sized towns and rural areas in Bohemia and Moravia. All firms surveyed are firms which have a record of hiring low qualified workers.

d. Analysis of employment incentives

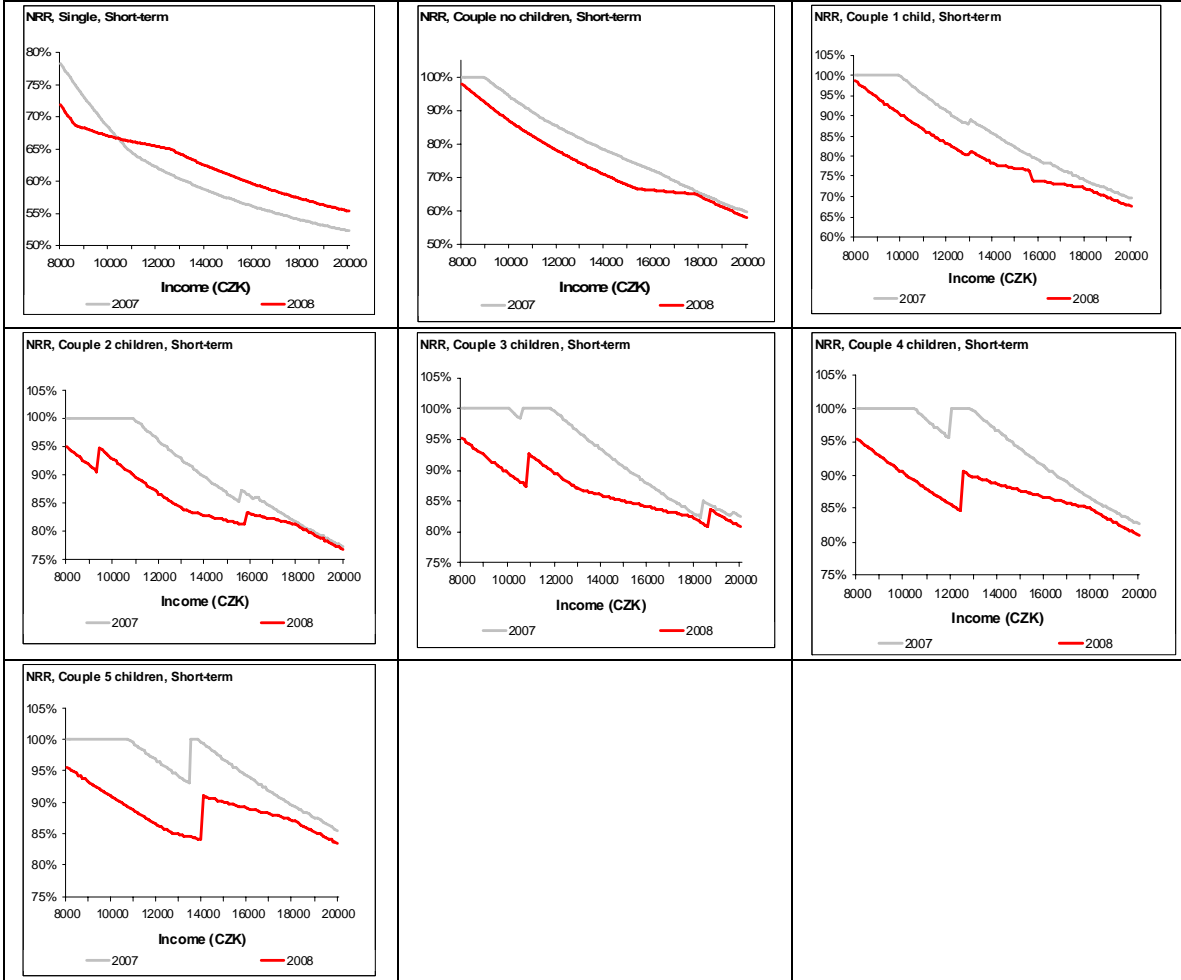
The report also presents Net Replacement Rates and Marginal Effective Tax Rates for different family configurations and different net wages.

The Net Replacement Rate (NRR) is defined as the ratio of net income when unemployed to the net income when employed. The ratio takes values from 0 to 100. The higher the ratio, the lower the incentives to look for an employment opportunity. For example, at a NRR of 100, there are no monetary incentives to look for a job, since a given household receives the same level of income no matter the employment status. Since households enjoy not only consumption but also leisure and also face search costs and fixed costs of participating in the labor market (transportation to work, higher cost of food outside of the household, etc.), it is reasonable to expect that even net replacement rates significantly below 100 may not provide sufficient incentives for job search. Furthermore, the actual level of a NRR that can be expected to effectively generate labor-supply incentive depends not only on valuation of leisure and transaction costs, but also on outside options such as shadow-economy employment opportunities, etc. The report therefore does not attempt to argue whether a specific value of NRR is sufficiently high or low; instead, it shows how the level of NRR changed over time.

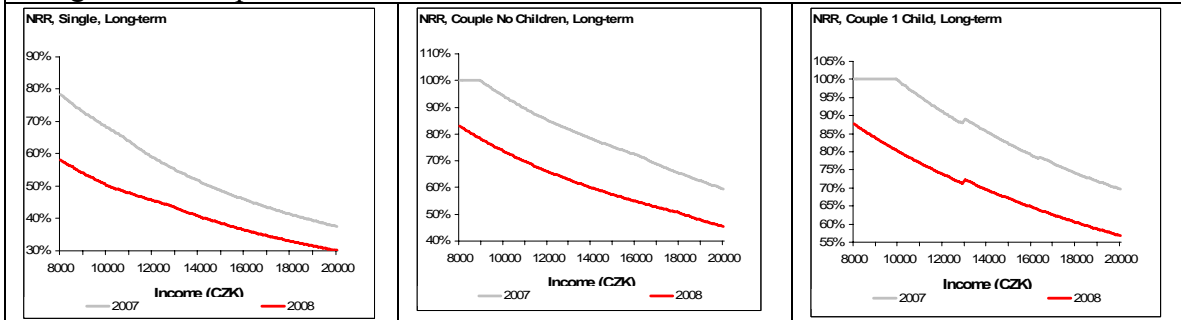
NRR calculations are routinely available from the OECD. It is therefore important to explain how this exercise differs from that conducted by the OECD. First, the OECD calculates NRRs at two earnings levels: at the Average Production Wage (APW) and at a wage level corresponding to 67% of the APW. However, it is important to note that even 67% of APW may be much above the potential wage levels in low-skill service and laborer jobs available to low-educated socially excluded workers, i.e. workers strongly affected by the incentive effects of social support schemes. This report therefore offers NRR calculations for a wider set of income levels. Second, as social benefits depend on family structure, the NRRs must be calculated for specific family types. In its calculation of NRRs, the OECD considers the following four family types: a single adult, a couple, a couple with 2 children and a single parent with 2 children. For married couples the potential earned income relates to one spouse only while the other spouse is assumed to be inactive with no earnings. The children are assumed to be aged 4 and 6. In contrast, in the calculations for this report families with more than two children are covered. The report follows OECD (2004) and calculates two types of NRRs: the so-called short-run NRR, which is the rate applicable in the period when an individual receives unemployment and social benefits, and the so-called long-run NRR, which applies after the expiration of unemployment benefits and therefore reflects social benefits receipt by long-term jobless.

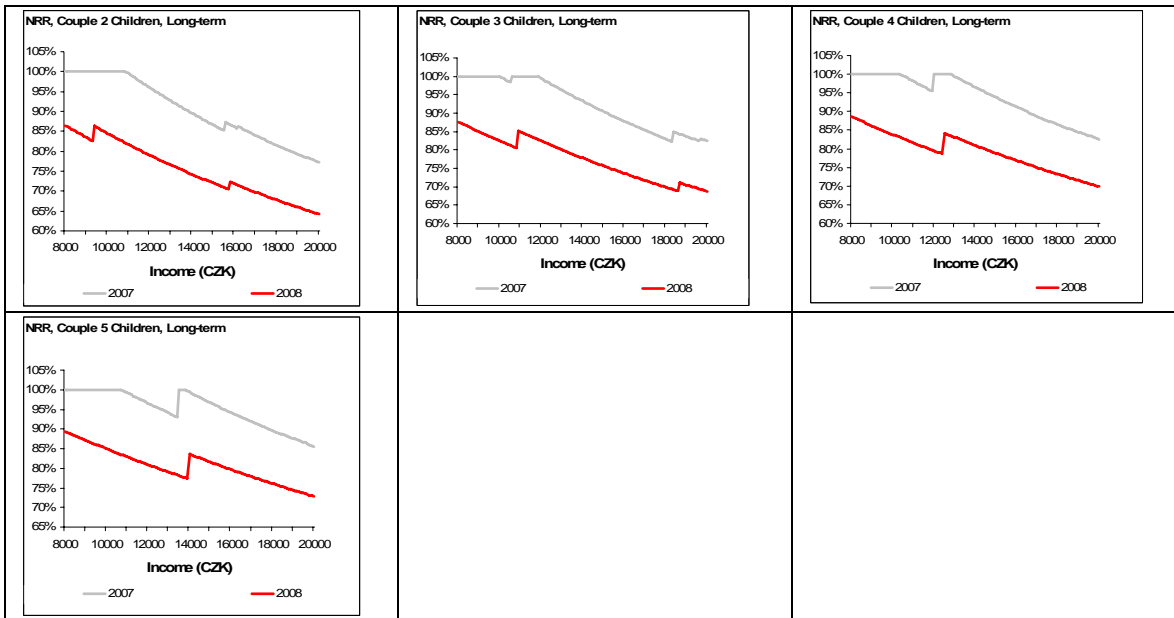
The Marginal Effective Tax Rate (METR) captures the combined effects of income taxation and social benefits taken from a household that increases its gross earned income. Because the maximum level of benefits is often received by families with no income and because benefits are sometimes reduced almost crown for crown with additional earnings, static labor-supply theory predicts the welfare system to discourage labor force participation and hours of work. It is therefore important to measure the strength of such disincentives, i.e. the slope of the implicit tax schedule. METR rates of over 100% indicate strong inactivity traps where agents have low incentives to increase their gross income. This report calculates METR for increases by 200 CZK — corresponding to a gross-income increase of 2% at (monthly) income level of 10,000 CZK.

Short-term net replacement rates

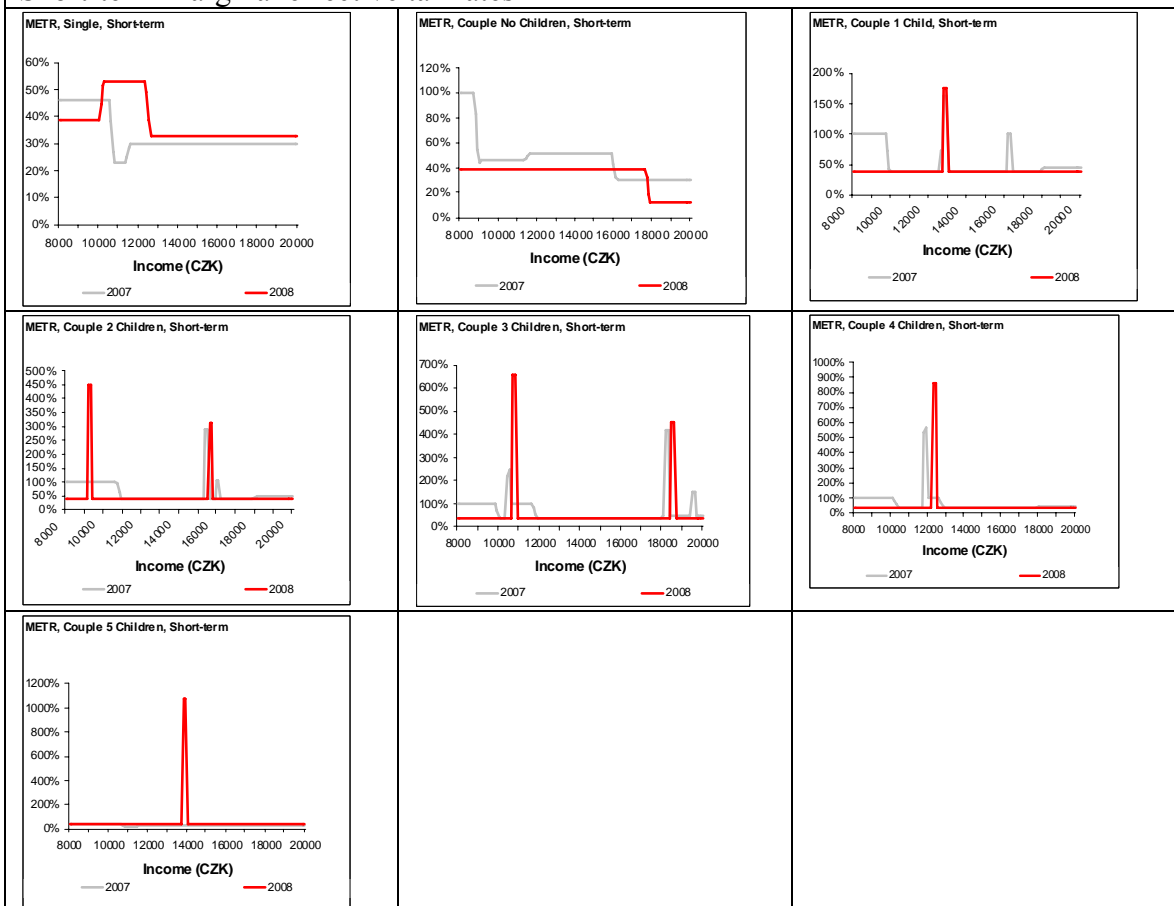


Long-term net replacement rates





Short-term marginal effective tax rates



Long-term marginal effective tax rates

