

# **1. OVERVIEW: TOWARDS A NEW APPROACH TO IMPROVE EMPLOYMENT CHANCES OF THE ROMA**

*Roma in marginalized localities in the Czech Republic have not benefited from the recent improving employment opportunities in the Czech labor market. Employment among Roma is low and labor market participation limited, often driven by lacking labor market opportunities. The labor market status among the Roma is strongly driven by educational attainment and skills, and the vast majority of Roma in marginalized communities suffer from low attainment and lacking functional literacy and numeracy skills. As a result a majority rely on traditionally generous social welfare benefits to make ends meet. In an effort to reduce this welfare trap the Czech Government has introduced measures to reduce benefits and tighten conditions for long-term unemployed who are inactive. However, with very low demand for low or unskilled labor and widespread indebtedness of Roma which acts as a binding barrier to choosing formal employment, this tightening of beneficiaries' incentives alone will not suffice in enhancing their employment chances. It requires effective interventions by the employment services; yet in its current set-up the Czech Labor Office appears not well placed to provide effective support to long-term unemployed and disadvantaged job-seekers such as Roma. A new approach to improving job chances for socially excluded youth and adults is necessary, involving a new way of engagement through the Labor Office and contracted third sector service providers and with integrated activation services addressing multiple barriers to employment such as skills deficits, lack of child care, indebtedness and others. However, given the large skills gap of Roma and the receding demand for elementary skills in the labor market, the key long-term strategy to prevent Roma joblessness has to focus on improving educational outcomes for Roma.*

**1.1 The Czech labor market has been performing strongly in recent years, and high labor demand has driven down unemployment to record low levels. Yet the overall positive developments conceal deeply unsatisfactory outcomes for a relatively small group of disadvantaged job-seekers who fail to find work.**

Unemployment has fallen to below 5 percent in early 2008 and the employment rate is approaching the Lisbon target of 70 percent by 2010. Most remaining unemployment in the Czech Republic is now of a long-term nature, suggesting that the remaining unemployed face binding barriers to employment possibly due to lacking skills and work habits, disincentives or lack of motivation to look for work or other reasons such as discrimination. Promoting further increases in employment will require addressing labor market barriers of disadvantaged job-seekers.

**1.2 Roma residing in marginalized localities have been identified as a group that is disproportionately disadvantaged in the labor market.** While this comes largely as

a result of low educational attainment, there is a sense that the traditional system of employment policies has proven unable to promote access to the labor market for Roma. This study was prepared at the request of and in close collaboration with the Government of the Czech Republic. It aims to explore the drivers of unsatisfactory labor market outcomes among Roma in marginalized localities in the Czech Republic and lay out an agenda for a systemic solution to promote employment among jobless Roma. The study builds on a specially designed Labor Force Survey, including a literacy skills assessment, which was carried out in 12 marginalized Roma localities in May 2008 (see Box 1). It also reviews regional patterns in labor demand for low-skilled workers, employment disincentives resulting from the tax and benefit system for low-wage workers and assesses the readiness of the Czech Labor Office in dealing effectively with disadvantaged job-seekers.

**Box 1: The 2008 Labor Force Survey of Roma in marginalized localities of the Czech Republic**

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. 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.

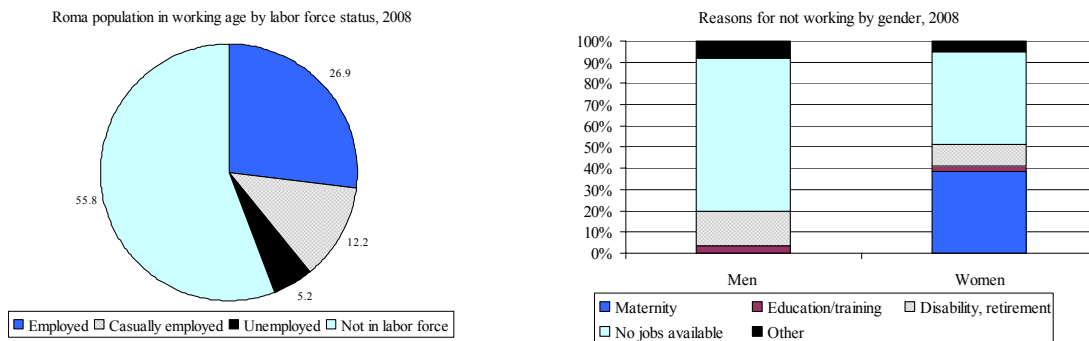
The questionnaire follows a standard Labor Force Survey structure and captures all aspects of labor market experience of surveyed individuals. In addition, it includes a simplified skills assessment to assess actual levels of functional literacy and numeracy skills.

## LABOR MARKET PROFILE OF ROMA IN MARGINALIZED LOCALITIES

*The primary challenge for promoting Roma employment is overcoming a lack of labor market participation...*

**1.3 Roma in marginalized localities in the Czech Republic suffer from highly unsatisfactory labor market outcomes, and it is lack of labor market participation (termed inactivity<sup>1</sup>) rather than unemployment that is the biggest problem.** As many as 56 percent of Roma of working age (15-64) are out of the labor force, that is neither employed, nor actively looking for a job (Figure 1, left hand panel). The unemployed, i.e. those actively looking for employment, account for only 5 percent of the working age population. Close to 40 percent are employed, however 12 percent have only casual, non-regular jobs<sup>2</sup>.

**Figure 1 The majority of working age Roma in excluded communities are out of the labor force and discouraged**



Note: Population of working age (15-64).

Source: Excluded Roma Labor Force Survey 2008; Bank staff calculations.

**1.4 The primary reason for the lack of labor market participation is the scarcity of job opportunities, and many inactive are discouraged workers.** Roughly three in four men and one in two women say they are out of the labor force because they could not have found a job (Figure 1, right hand panel).<sup>3</sup> This means that many of the Roma who are out of the labor force are actually so called *discouraged* workers, i.e. the unemployed who ceased searching for a job once their efforts proved futile<sup>4</sup>.

<sup>1</sup> Inactivity is the technical term used to denote the status of being outside the labor force.

<sup>2</sup> Casually employment is defined as a situation in which the survey respondent declared that he/she does not have a job, but reported income during the reference week.

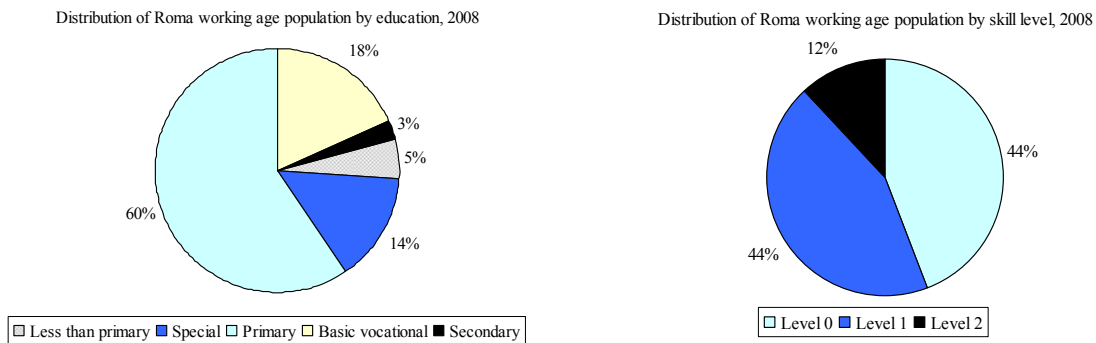
<sup>3</sup> It should be borne in mind that these results reflect the *subjective perception* of labor market conditions.

<sup>4</sup> Discouraged workers are defined here as those who did not actively look for a job in the reference week (and thus were categorized as inactive rather than unemployed) but reported the duration of their job search.

...mainly driven by lacking skills to compete in the labor market...

**1.5 The educational attainment of Roma in excluded communities is very low, as are actual literacy and numeracy skills.** Eight out of ten Roma of working age have no more than primary education (Figure 2, left hand panel)<sup>5</sup>. There is a substantial proportion – 14 percent – of persons who graduated from special schools for children with special educational needs – a specific feature of Roma schooling in the Czech Republic for decades. This large group has no formal certified vocational skills. Only two Roma in ten have some formal vocational training or secondary education. Actual literacy and numeracy skills are very low, too. As many as 44 percent of working age Roma in excluded communities can be considered functionally illiterate (Figure 2, right hand panel). Another 44 percent have only some basic literacy and numeracy skills. Only 12 percent can be considered as functionally literate, i.e. able to answer most of the relatively simple questions that require primary school-level knowledge.<sup>6</sup>

**Figure 2 The vast majority of Roma have no more than primary education and little skills**



Note:

Level 0 = little or no literacy/numeracy skills

Level 1 = some literacy and numeracy skills

Level 2 = basic literacy/numeracy skills (primary school level)

Source: Excluded Roma Labor Force Survey 2008; Bank staff calculations.

**1.6 Moreover, the inter-generational upward educational mobility is extremely limited among Roma, and there is evidence for a worsening of educational attainment.** Only 21 percent of sons of fathers who have primary education or less received post-primary education (mainly basic vocational training). Even more worrying, more than half of the sons (54 percent) of fathers who have post-primary education

<sup>5</sup> This report uses the Czech terminology in which primary education refers to basic, compulsory education with duration of nine years, usually from age 6-15. This includes the internationally used primary (ISCED 1) and lower secondary (ISCED 2) levels. Basic vocational education refers to ISCED 3c, while secondary education refers to ISCED 4 (upper secondary education).

<sup>6</sup> The results were obtained using a simple skill assessment survey conducted as part of the Labor Force Survey in marginalized localities.

received less education.<sup>7</sup> Thus, there is very little upward educational mobility among Roma but substantial downward mobility. This suggests that the transition might have had a negative effect on educational prospects of many Roma. The generation of fathers who acquired their education under the old regime tends to be better educated than the generation of sons who received their education after the transition to a market economy – a finding confirmed by employers interviewed for this study<sup>8</sup>.

**1.7 Despite poor formal education many Roma workers obtained job-specific vocational skills after completing school, typically in employment.** But gender differences are pronounced. While six in ten men obtained some vocational skills, only 4 in 10 women did so. Expectedly, the acquisition of vocational skills critically depends on employment. Among those who were employed in the last 3 years the proportion of workers with vocational skills (obtained mostly through on-the-job training) approaches 60 percent, while among those who were not employed it is slightly less than 40 percent. Thus employment matters for the acquisition of skills and, through this channel, is likely to increase future employment chances.

*... resulting in dramatically worse employment outcomes for Roma compared to non-Roma...*

**1.8 Few Roma in marginalized localities are employed.** Only 27 percent of working age Roma are employed, compared with the national average of 66 percent (Table 1). An additional 12 percent are only casually employed. This employment gap is dramatic: As many as 27 percent of Roma would need to find employment in order to raise the employment rate among Roma to the national average. However, the gap results largely from the low labor force participation by Roma rather than from high unemployment.<sup>9</sup> Only 44 percent of working age Roma participate in the labor force compared with 70 percent of Czechs overall. Thus many Roma are detached from the labor market. The main policy issue to be addressed is thus discouragement and non-participation, rather than ineffective job search. The situation differs by different population groups:

- *Prime-age Roma women:* The low employment rate among Roma is largely accounted for by labor market detachment of prime-age women. The labor force participation rate by Roma women is half that of the Czech women overall: 31 against 62 percent (Table 1). This is likely to reflect cultural factors (the role of women in Roma society) and a lack of job opportunities, but poor access to services such as nursery and kindergarten may also play a role. Indeed, utilization of kindergartens among Roma children appears low,

---

<sup>7</sup> A very similar pattern emerges when one compares educational attainment of daughters with that of their mothers.

<sup>8</sup> Vašečka et al. (2008)

<sup>9</sup> This is because, as demonstrated earlier few Roma are actively looking for jobs and thus are categorized as economically inactive rather than unemployed. In order to be categorized as unemployed persons who have no job need to meet two additional conditions: (a) be actively looking for a job, and (b) be able to take a job if offered.

with only 36 percent of Roma children in households with children in pre-school age going to kindergarten or zero classes.

- *Prime-age Roma men* are also much less likely to be economically active than the prime-age Czech population overall. The labor force participation rate by prime age Roma men at 63 percent – although significantly higher than that of women – compares unfavorably to the national average of 95 percent. To what extent this low economic activity of prime-age Roma men reflects poor skills, lack of demand or discrimination is not quite clear.
- *Roma youth and older workers:* In sharp contrast to prime-age workers, Roma youth and older workers are more, not less, economically active than their ethnic Czech counterparts. 42 percent of Roma youth (aged 15-24) are part of the labor force, compared with the national average of 32 percent (Table 1). This large difference is explained by much higher rates of educational enrollment of young Czechs overall than that of young Roma. For older workers (aged 55-64) the difference in labor force participation rates is smaller (2 percentage points in favor of Roma). The likely cause is that in contrast to the Czech older population overall many (if not most) older Roma lack pension insurance and thus have an incentive to seek employment. Lastly, the high labor force participation rates of young and older Roma go hand in hand with high unemployment rates.

**Table 1 Indicators of labor market outcomes: Roma<sup>a)</sup> against the national average.**

	Unemployment rate		Labor force participation rate		Employment/population ratio	
	Roma	Czech Republic	Roma	Czech Republic	Roma	Czech Republic
Population of working age b)	11.7	5.4	44.2	69.9	39.1	66.1
<i>Gender</i>						
Men	10.3	4.3	61.3	78.1	55.0	74.8
Women	14.0	6.8	30.5	61.5	26.3	57.3
<i>Age</i>						
15 – 24 (youth)	24.7	10.7	42.4	31.9	31.9	28.5
25 – 54 (prime-age)	7.8	4.8	44.2	87.8	40.7	83.5
55 – 64 (older)	15.2	4.6	50.0	48.2	42.4	46.0

a) Roma in excluded communities covered by the Roma Labor Force Survey 2008.

b) 15 – 64

Note: data for the Czech Republic refer to 2007, data for Roma refer to May 2008.

Source: Roma Labor Force Survey 2008 and Eurostat; Bank staff calculations.

**1.9 Roma fare worse in the labor market compared to other low-skilled and socially excluded Czechs, in particular in terms of labor force participation.** The data presented in Table 1 compares labor market outcomes for Roma against national averages. However, it appears that Roma are also faring slightly worse even compared to

low skilled adults in the Czech Republic on average. The labor force participation rate among Roma aged 25-64 residing in marginalized localities in 2008 was 44.7 percent and the employment-to-population ratio 40.9 percent. As a comparison, in 2007, low skilled Czechs between the age of 25 and 64 faced a labor force participation rate of 56.4 percent and an employment -to-population ratio of 45.7 percent.<sup>10</sup> This suggests that there are Roma-specific barriers to employment in addition to skills. Moreover, they also fare worse compared to their immediate non-Roma neighbors: Table 2 presents a comparison of the labor force status between Roma and non-Roma in excluded communities. The non-Roma control group is small, with only 103 persons, suggesting that the estimates are subject to a wide margin of error. With this caveat in mind, the key difference between the two groups is not in the unemployment rate, but in the labor force participation rate. Working age Roma are less likely to look for jobs than their non-Roma counterparts in excluded communities. Whether this reflects discouragement due to discrimination or other factors is unclear.

**Table 2: Labor force status: Roma vs. Non-Roma in marginalized localities**

in percent	Non-Roma	Roma
Unemployment rate	12.5	11.7
Labor force participation rate	54.4	44.2
Employment/population ratio	47.6	39.1

Source: Roma Labor Force Survey 2008; Bank staff calculations. Population of working age (15-64) residing in marginalized localities

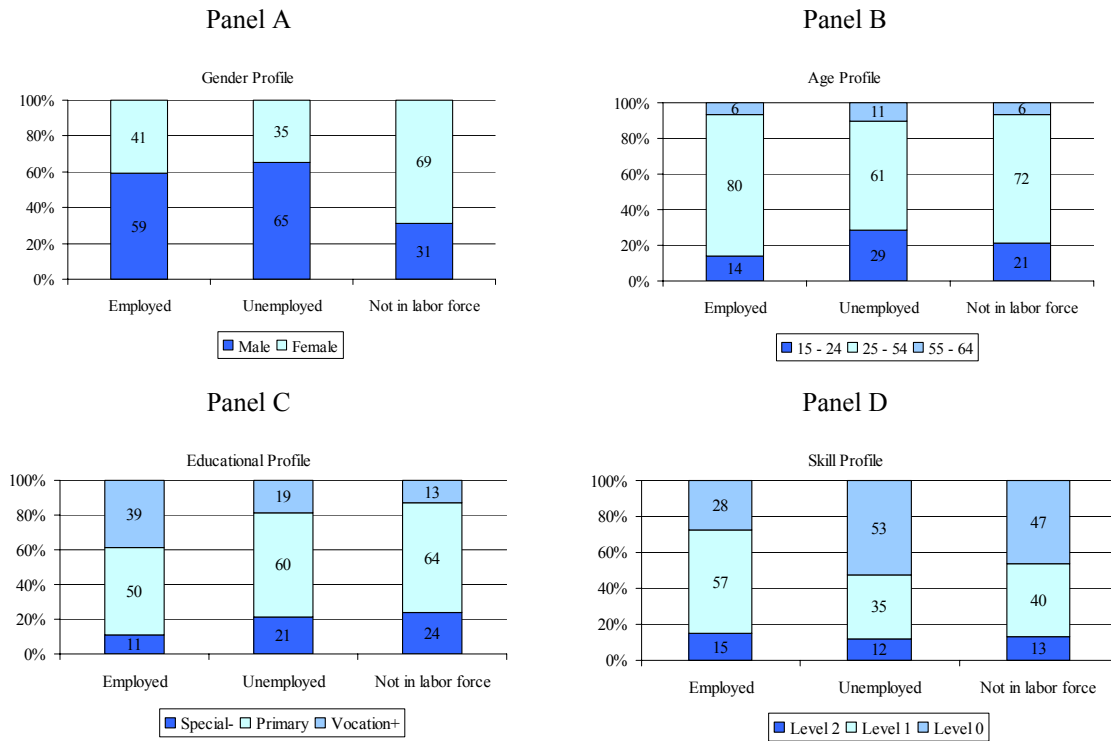
*...but with marked heterogeneity driven by skills and labor market experience*

**1.10 There is a notable difference among the employed, the unemployed and those outside the labor force with respect to educational attainment and skills.** Figure 3 shows the difference between the employed, the unemployed and the inactive along several socio-demographic dimensions. The employed and the unemployed are predominantly men, while the inactive are predominantly women (Figure 3, Panel A). The employed are more often prime age workers whereas the unemployed and the inactive are more often younger persons (Figure 3, Panel B). Overall, the employed are better educated than the unemployed, who in turn are better educated than the inactive (Figure 3, Panel C). Stronger attachment to the labor market goes hand in hand with better educational attainment. The employed have also better skills than the unemployed and the inactive. Roma with literacy and numeracy skills account for over 70 percent of the employed and only for around 50 percent of the unemployed and the inactive (Figure 3, Panel D).<sup>11</sup> Accordingly, while functional illiteracy is widespread among the unemployed and the inactive, it is relatively rare among the employed.

<sup>10</sup> There may be a bias in the comparison, as the national averages for low-skilled workers may include Roma.

<sup>11</sup> Based on the results of the skills assessment, which was part of the Roma Labor Force Survey, (see Annex 1)

**Figure 3 The employed, the unemployed and the inactive differ widely by education and skills**



Note: The unemployed include casually employed.  
 Source: Roma Labor Force Survey 2008; Bank staff calculations.

**1.11 Vocational training greatly increases Roma employment chances, while special education condemns Roma to unemployment.** Among the Roma who received vocational training 50 percent are employed. This is more than double of those who received primary education and over three times more than among those who received special education or less (Table 3). Stated otherwise, Roma who have special education are two times more likely to be inactive than Roma who received vocational training. This shows that the type and level of education received has a decisive impact on Roma employment prospects. Roma who are better educated and have vocational skills fare much better on the labor market than those who are poorly educated and lack vocational skills. Obviously, this finding has far-reaching policy implications. Better education and the provision of vocational skills are key to improving Roma labor market outcomes.

**Table 3 Labor force status by educational attainment**

Labor force status	Special or less	Primary	Basic vocational training <sup>a)</sup>
	<i>Percent</i>		
Employed	15.2	22.6	50.3
Unemployed <sup>b)</sup>	18.5	17.6	15.5
Not in labor force	66.3	59.8	34.2

Note: Roma population of working age (15-64)

a) Including secondary

b) Including casually employed

Source: Roma Labor Force Survey 2008; Bank staff calculations.

**1.12 In addition to formal education, actual skills matter, too.** Among those who are functionally illiterate (skill level 0) few are employed (only 17 percent) and a majority are unemployed or inactive (Table 4). Literacy and numeracy skills (levels 1 and 2) increase the probability of employment by a factor of two.<sup>12</sup> Even if other factors – such as discrimination or job attitudes play a significant role – better education and thus better skills help to overcome Roma labor market disadvantage.

**Table 4 The more skilled are substantially more likely to be employed**  
Labor force status by skill level, 2008

Labor force status	Level 0	Level 1	Level 2
	<i>Percent</i>		
Employed	17.3	34.8	29.9
Unemployed <sup>a)</sup>	21.6	14.1	15.4
Not in labor force	61.1	51.1	54.7

Note: Roma population of working age (15-64)

Level 0 = little or no literacy/numeracy skills

Level 1 = some literacy/numeracy skills

Level 2 = basic literacy/numeracy skills

a) Including casually employed

Source: Roma Labor Force Survey 2008; Bank staff calculations.

**1.13 There is a two-way relationship between skills and labor market outcomes.** For example, those Roma who work are likely to have an easier access to internet or to newspapers. Employment provides earnings and thus allows one to own a car. So, causality runs in both directions: better skills improve employment chances and being employed is conducive to acquiring additional skills. Accordingly, this analysis may overestimate the effect of skills on employment. Still, there is no doubt that there is a close relationship between skills and employment among Roma and thus supporting investment in human capital and facilitating labor market entry are key policies to overcome their labor market and social exclusion.

<sup>12</sup> There is not much difference between the employment chances between Roma with skill levels 1 and 2. If anything, Roma with skill level 1 seem to fare on the labor market somewhat better than those with skill level 2. But this may be due to the small sample size and/or imprecise measurement of the actual skill level.

1.14 **The employed differ from the unemployed and the inactive also in terms of their labor market experience.** As expected, the employed are more likely to have a previous employment record. Only a minority of the inactive (27 percent) had previous job experience, compared to over half of the unemployed (56 percent) and a vast majority of the currently employed (79 percent). Thus previous labor force status is a good predictor of the current labor force status – a phenomenon known as path dependence: The employed reap the benefits of past employment (which was likely to be associated with skill acquisition, greater motivation, etc.), whereas the unemployed and still more so the inactive are often locked in the joblessness trap (associated with the erosion of skills and morale).

1.15 **While most jobs of employed Roma are short-term and with very low pay, there is substantial variety in employment conditions between Roma.** In fact, there is evidence of a dual market for Roma labor. While some Roma have better, more secure and better paid jobs others have only casual, precarious and often badly paid jobs.

- *The vast majority of Roma work as unskilled workers*, most of them in manufacturing and construction (57 percent of all employed Roma), others in services (16 percent) and in agriculture (6 percent). Only one Roma in five works as skilled worker, mostly in construction.
- *The average job tenure of Roma workers is short indicating high turnover and job instability.* Nearly 50 percent of all Roma workers have been holding their jobs for less than a year. At the same time, however, there is still a substantial fraction of Roma workers who hold long-term jobs. The average job tenure is 3.5 years (thus significantly higher than the median of just 12 months).
- *Roma earnings are very low and there is high wage inequality between Roma.* The average Roma worker earns some 40 percent of the national wage and slightly more than the minimum wage.<sup>13</sup> Those who have regular jobs earn somewhat more at about 35 percent above the minimum wage, but still only about half the national average. There is also high inequality of earnings, driven primarily by extremely low wages of Roma workers at the bottom of the wage distribution.

#### **THE CHALLENGE: BARRIERS TO ROMA EMPLOYMENT IN THE CZECH REPUBLIC**

1.16 **Employment chances of Roma in the Czech Republic are negatively affected by a range of barriers** both on the demand and supply side.

##### *Barriers on the demand side*

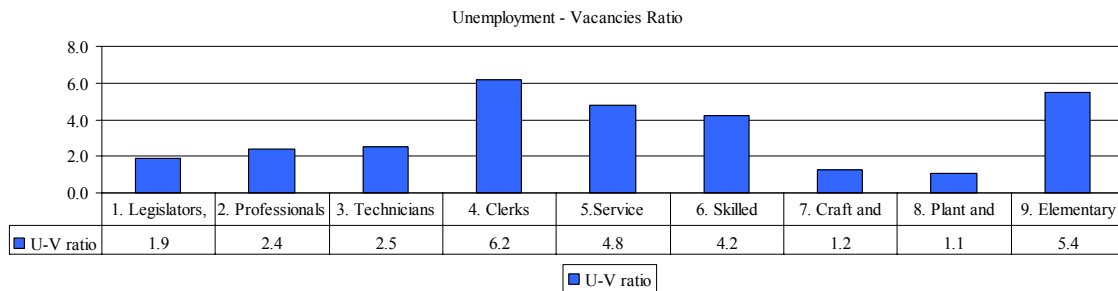
1.17 **The biggest demand side barrier to employment of Roma residing in marginalized localities is low demand for elementary occupation workers in the**

---

<sup>13</sup> The ratio of Roma earnings to national average (minimum) wage is most probably underestimated.

**Czech Republic.** In general, there is a strong demand for high and specialized – both white collar and blue collar – skills, coupled with a relatively weak demand for lower and more generic skills. Figure 4 presents the ratios of unemployed to vacancies by occupation. Job opportunities for less skilled workers, i.e. in elementary occupations, are markedly worse than those for more skilled workers.

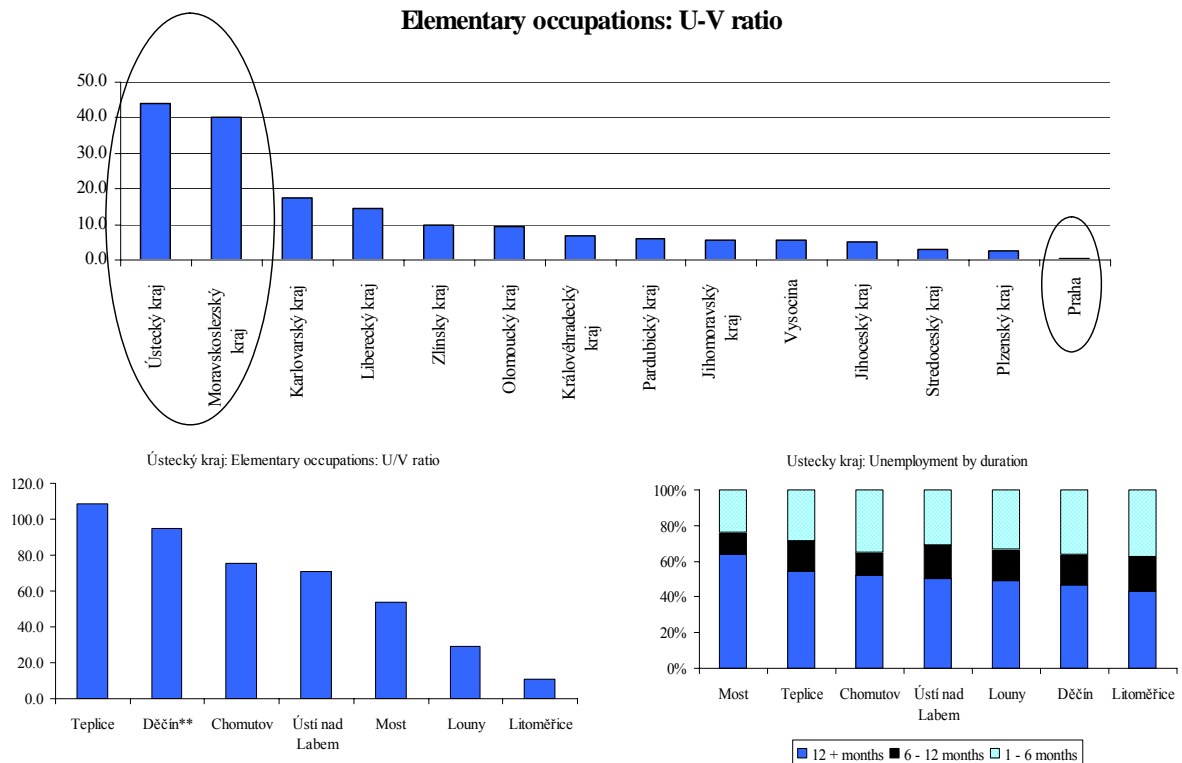
Figure 4: **Demand for less skilled and elementary occupations is weak**  
Employment-vacancy ratios by occupations, 2007 (second quarter)



Source: Ministry of Labor and Social Affairs. Bank staff calculations

**1.18 Job opportunities for low skilled are particularly bad in traditional high unemployment regions where many socially excluded Roma reside, although there is some variation at the sub-regional level.** Figure 5 (upper panel) shows that the ratio of unemployed to vacancies (“U/V ratio”) for elementary occupations is dramatically high in those regions which traditionally have had high unemployment. This is notable given the fact that the tightening labor market in the Czech Republic has also triggered a reduction in unemployment in those high unemployment regions. However, the large U/V ratios in high unemployment regions also hide substantial variation at the sub-regional level. The lower panel of Figure 5 presents a breakdown of U/V ratios for different counties in Ustecky kraj, and a similar picture can be found across other high unemployment regions (see Annex). Identified Roma localities can be found both in counties with high and low demand for low-skilled workers, suggesting that the local employment conditions vary for Roma workers across the Czech Republic, but also across the high unemployment regions where many Roma reside. Lastly, Prague stands out in terms of substantial excess demand for elementary education workers.

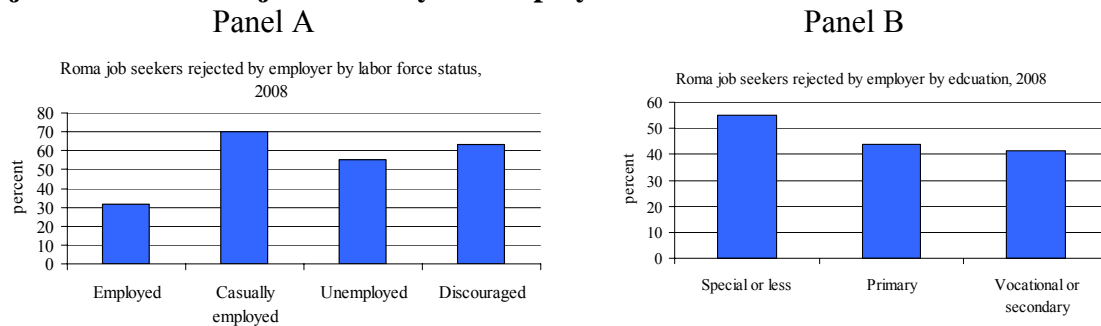
Figure 5: Job prospects for low education workers are particularly bad in high unemployment regions, although there is variation at the sub-regional level



Source: Staff calculations based on MoLSA data for Q2, 2007. Note: A starred county indicates that less than 50 vacancies were registered there, and therefore a cautious interpretation of the results is needed

**1.19 Roma jobseekers are often rejected by employers, but substantially less so if they have higher levels of education and previous work experience.** As many as 64 percent of the unemployed, casually employed and discouraged workers were rejected by the employer when applying for a job. As compared to that, only 31 percent of the currently employed Roma previously experienced a rejection by an employer (Figure 6 Panel A). The experience of the unemployed Roma is apparently quite different from that of the employed. Moreover, Roma jobseekers with special education or less are by one-third more likely to be rejected by the employer than those with vocational or secondary education (Figure 6, Panel B).

**Figure 6 Labor market experience and better education lessen the risk of the rejection of a Roma jobseeker by the employer**



Source: Roma Labor Force Survey 2008; Bank staff calculations.

**1.20 Interviews with employers conducted for the purposes of this study confirm the predominance of lacking skills as an explanation for rejection of Roma job-seekers.** In the interviews, employers reported a number of barriers to employing more Roma, involving the interplay of low educational attainment and missing skills among Roma, lacking work motivation, strong competition from foreign workers and a higher perceived riskiness of hiring Roma vis-à-vis non-Roma workers<sup>14</sup>.

**1.21 To what extent is there discrimination among employers against Roma? The available data does not allow a conclusive answer.** In order to rigorously test the hypothesis of discrimination one would need to have a comparison group of non-Roma workers with similar skills and other relevant characteristics. While systematic discrimination likely plays some role in explaining the labor market outcomes among Roma, the data suggest that lacking skills and prior work experience are an even more binding barrier. After all, the likelihood of rejection of Roma by employers is not uniform, but varies with education and skill level. Employers interviewed for the purposes of this report highlight skills as a major detriment to hiring Roma, but also allude to communication barriers and mistrust which raise the perceived risk and costliness of hiring Roma compared to non-Roma. This suggests that employers may demonstrate a form of “statistical discrimination” related to information asymmetries and lacking information about individuals.

*Barriers on the supply side*

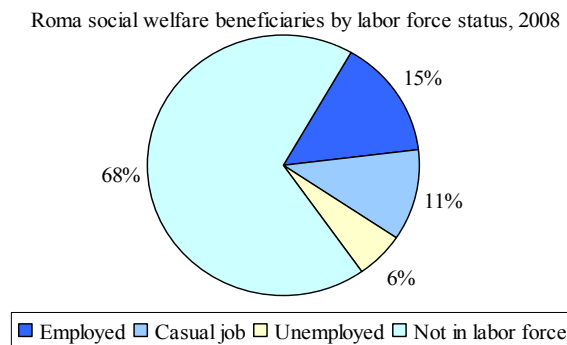
**1.22 The main barrier to employment for most Roma residing in marginalized localities is the dramatically low educational attainment and lacking skills.** The 44 percent of surveyed individuals with little or no literacy and numeracy skills, and even the additional 44 percent with some basic literacy and numeracy are hardly employable in long-term employment even for basic tasks. Chances are better for the few with basic vocational or secondary education – and many of those have already found employment.

<sup>14</sup> Vašečka et al. (2008)

**1.23 A large share of Roma are on social welfare benefits which are relatively well targeted at those who are without a job and thus do not have a source of earnings.**

65 percent of working age Roma residing in marginalized localities are recipients of social welfare benefits. As Figure 7 shows, some 75 percent of benefit recipients are either inactive or unemployed. Additional 11 percent of the recipients are only casually employed. But still 15 percent of the recipients have regular jobs. More importantly, however, benefit receipt and labor force status are not independent. Those who do receive benefits have weaker motivation to look for a job, a phenomenon known as the “inactivity trap”. Thus although benefits are targeted at the jobless, some of them are jobless because they claim welfare benefits.

**Figure 7 It is mainly the inactive and the unemployed Roma who receive social benefits, but some of the employed receive benefits, too**



Source: Roma Labor Force Survey 2008; Bank staff calculations.

**1.24 Social welfare benefits received by Roma are relatively high, aggravating the risk of an inactivity trap.** The average benefit reported by surveyed Roma accounts for close to 90 percent of the minimum wage, and the median benefit accounts for 75 percent (Table 5). Given that majority of Roma workers earn around the minimum wage this is likely to create significant labor supply disincentives, as long as benefits are means tested. That is, compared to when the benefit is withdrawn, the average Roma gains nothing in monetary terms when taking low-paid formal job. This is a classic case of the inactivity trap. Formal employment does not pay-off and this gives rise to welfare dependency.

**Table 5 Social welfare benefits received by Roma are high relative to the minimum wage, Summary of the distribution of social assistance benefits awarded to Roma, 2008**

	Benefit amount
	<i>As a percentage of minimum wage<sup>a)</sup></i>
Average	88.8
Top decile	168.8
Median	75.0
Bottom decile	25.0

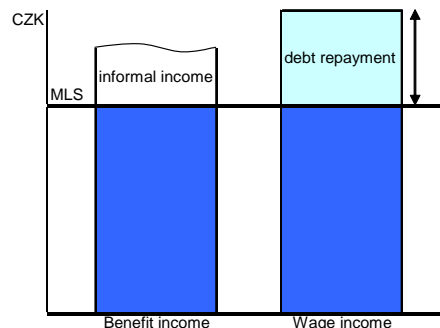
a) The statutory minimum wage is equal to the median wage of Roma workers (including casual).

Source: Roma Labor Force Survey 2008; Bank staff calculations.

1.25 **Heavy indebtedness is another major barrier to formal employment.** One Roma in two report being indebted, and the debt amount tends to be large. On average, indebted Roma owe 9.3 times the minimum wage to the lending institution. The average reflects heavy indebtedness concentrated among a relatively small fraction of Roma. The median debt is substantially lower, and accounts for 2.5 times the minimum wage. Still, for a considerable fraction of Roma workers formal employment would imply a loss of earnings due to debt repayment. While the survey of marginalized localities did not capture the sources of indebtedness among Roma, previous analysis points toward the widespread availability of small and unsecured but high interest loans for non-creditworthy individuals as well as instances of usury in marginalized Roma localities<sup>15</sup>.

1.26 **Under circumstances of heavy indebtedness, informal employment is a coping mechanism to protect one’s earnings.** Debt collectors can only enforce debt collection provided an indebted individual earns formal income in excess of the minimum living standard (MLS) which is set by law as the guaranteed minimum income of an individual. So long as an indebted individual remains on social welfare benefits which guarantees income to the level of the MLS, debt collectors cannot easily enforce the debt. In effect, even when a formal sector job pays more than the combination of social welfare benefits and the minimum subsistence level, an individual faces little incentive to take that job, because of the threat of debt collection. Figure 8 shows a graphic presentation of the labor supply disincentive effect of debt and debt collection.

Figure 8: **Personal indebtedness acts as a key formal labor supply disincentive**



Note: This is a simple graphic representation not based on actual data

1.27 **Few Roma workers commute to work.** Three out of four Roma workers do not commute to work, which means that they work in their immediate neighborhood. The low proportion of those who do commute (only 25 percent) suggests that a lack of affordable transportation may be an important barrier to Roma employment. In fact, remote job location is an important reason Roma jobseekers turn down job offers. Being unable to commute, many Roma have access only to a small, strictly local job market, which naturally limits their job chances.

<sup>15</sup> Uherek et al (2004)

## **A DUAL FRAMEWORK FOR A SOLUTION: EMPLOYMENT ACTIVATION AND EDUCATIONAL INTEGRATION**

1.28 Roma joblessness is strongly driven by lacking skills and unsatisfactory education outcomes. Improving employment chances for the Roma will therefore require a dual approach to tackle current Roma joblessness through employment activation and labor market programs focusing on skills upgrading, while preventing a repeat in the future by overcoming educational disadvantage of Roma children and youth. This section focuses on approaches to promote Roma employment through employment activation policies as well as break the cycle of social exclusion through early childhood intervention and educational integration.

### **Tackling current joblessness: Employment activation for disadvantaged job-seekers**

1.29 **In designing a strategy to enhance employment chances of the Roma, the Czech Government can benefit from experience across countries in the OECD and the EU that have increasingly been introducing “activation” elements into their social protection and employment policy frameworks** as well as approaches to prioritize and individualize service provision for the unemployed. Activation policies typically build on a “mutual obligations” approach combining

- *Provision of income support as well as access to public employment services (PES) with improved and more focused service for the disadvantaged unemployed and those hardest to place, with*
- *enhanced responsibilities of the unemployed, including able-bodied individuals receiving social assistance and other welfare payments, to regularly visit the employment office and be available for work. It also involves the adjustment of social welfare benefit levels or instruction of in-work tax benefits so that “work pays”.*

1.30 **Employment activation and mutual obligations open the opportunity for a renewed focus on hard to place Roma long-term unemployed.** Traditional active labor market programs and activation schemes need modification in order to work for long-term unemployed and disadvantaged Roma. Activation policies include a range of new management approaches and services for the unemployed. Key elements of modern activation policy include:

- *Profiling of clients according to their distance from the labor market and priority attention by the employment office staff to those furthest from the labor market (particularly long-term unemployed). Profiling involves assessing the job-seeker’s background and employability at or prior to the first interaction with the PES staff and typically leads to the categorization of the individual’s distance from the labor market and then differentiated services.*
- *An individualized approach for long-term unemployed and at-risk job-seekers, with individual reintegration action plans.* Individual action plans describe an

individual pathway towards employment, involving training and addressing the client's multiple social needs (including health, debt, childcare etc).

- *New management and administrative approaches in the PES.* These include greater specialization of labor office staff, including on dealing with hard to place clients and investments in training and retraining as well as rotating staff. It also crucially involves culturally sensitive service provision, centered around the individual's needs and abilities, involving dedicated advisers for minority job-seekers in those areas with large minority communities.
- *Service integration, typically either involving a merger of the traditional PES with social welfare offices or introduction of integrated computer systems.* Service integration builds on the recognition that job-seekers typically have multiple needs, for example including indebtedness, that are best addressed in an integrated, "one stop shop" manner.
- *Focus on prevention and early interventions and youth.* Most countries have introduced systems to detect risk groups early on and make them subject to prioritized and individualized attention, in particular for youth through career counseling and professional orientation at school. This can also involve early drop outs from school at a time prior to becoming long-term unemployed, typically after six months of joblessness, with directions to remedial and second-chance education or work placement and apprenticeship schemes.
- *Enhanced contracting out of services to private sector and NGOs under performance-based contracts and collaboration with private employment services.* Many countries have introduced contracting out partnerships with private sector service providers and/or community based organizations and NGOs, including to facilitate the contact between the employment office and the client and to provide services. The rationale is that outside partner are positioned to deliver more effective services to highly disadvantaged job-seekers or services at lower cost than the public employment service infrastructure.
- *Regular evaluation of the effectiveness of the employment offices* in placing the long-term unemployed, including through regular client surveys, to ensure high quality and focused service provision.
- *Empowering of clients* to demand high quality services by introducing client satisfaction report cards where clients can provide feedback on the quality of service they have received.

**1.31 Incomplete implementation of activation policy and the mutual obligations principle triggers substantial risks to the prospects for disadvantaged long-term unemployed. The challenge, therefore, is to get the policy mix right.** As noted, activation policies build on mutually balanced obligations between the individual job-seeker and the employment office. They risk failure if one side is not fulfilling its obligation. The most effective employment service will not succeed in placing disadvantaged unemployed into jobs if the individual unemployed does not cooperate. On the other hand, tighter conditions on the disadvantaged job-seeker will not deliver

employment unless they receive effective support from the employment service. Failure to provide adequate services or barriers to actual job placement risk that the tightening of the beneficiary's obligations is not matched and that the beneficiary remains worse off – with lower benefits, a higher risk of poverty and without a job. Ineffective service provision and organization, insufficient attention to the disadvantaged client and a lack of quality interventions on offer which fail to result in a subsequent job – all can be binding barriers to making activation work.

**1.32 The risk associated with imbalance is more binding the further distant the job-seeker is to the labor market and the more difficult he or she is to place, for example Roma.** Not everybody is “activatable” and activation policy, if unevenly and mechanically applied, risks deepening poverty. For example, there is some evidence that employment activation policy in Slovakia, including the tightening of benefit eligibility, may have contributed to a deepening of poverty among poor and socially excluded communities<sup>16</sup>. Less disadvantaged job-seekers can more easily respond to tightened obligations and reduced benefits by utilizing their networks even if the employment services are of little help. The risk of imbalance also stems from the fact that it is easier to enhance the beneficiary's obligations than that of the public employment service: Tightening of benefit eligibility is done through simple change in legislation, while enhancing the obligation of the labor office requires time-consuming and complex institutional change.

*Obligations and incentives of job-seekers in the Czech Republic have recently been tightened*

**1.33 The Czech Government has recently introduced a reform to the benefit and tax system that have strengthened pro-work incentives, including for long-term unemployed.** The reform, put in effect on January 1, 2008, transfers some of the tax burden from capital to consumption and affects labor taxation. Amongst others, it puts (at least a temporary) halt to indexation of social welfare benefits, expands child tax credits and lowers the income eligibility threshold for child benefits. Crucially, it lowers welfare support for inactive long-term unemployed by introducing a lower eligibility threshold for social welfare benefits, the Existential Minimum (EM), which applies for those that have been unemployed for more than 12 months. The Existential Minimum is set at 65 percent of the Minimum Living Standard (MLS) which is the traditional eligibility threshold, now applicable for those unemployed for less than 12 months.

**1.34 How do the policy changes and other factors impact on the labor supply decisions of individuals?** The effect of the changes are analyzed using a simple measure of the monetary incentives built into the set of main government labor-market programs that affect labor supply decisions: the Net Replacement Rate (NRR), explained in detail in Box 2. It concentrates on family types typical of socially excluded, with simulations of the NRR for one-earner families with 2 and 4 children and incomes ranging from close to the minimum wage (8,000 CZK) up to the average production wage (20,000 CZK). It

---

<sup>16</sup> World Bank (2005)

furthermore compares current institutional settings to those in place in 2007, quantifying the combined effects on pro-work incentives mentioned above.

### Box 2: Analyzing labor supply incentives: The Net Replacement Rate

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 independent of 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 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 and others.

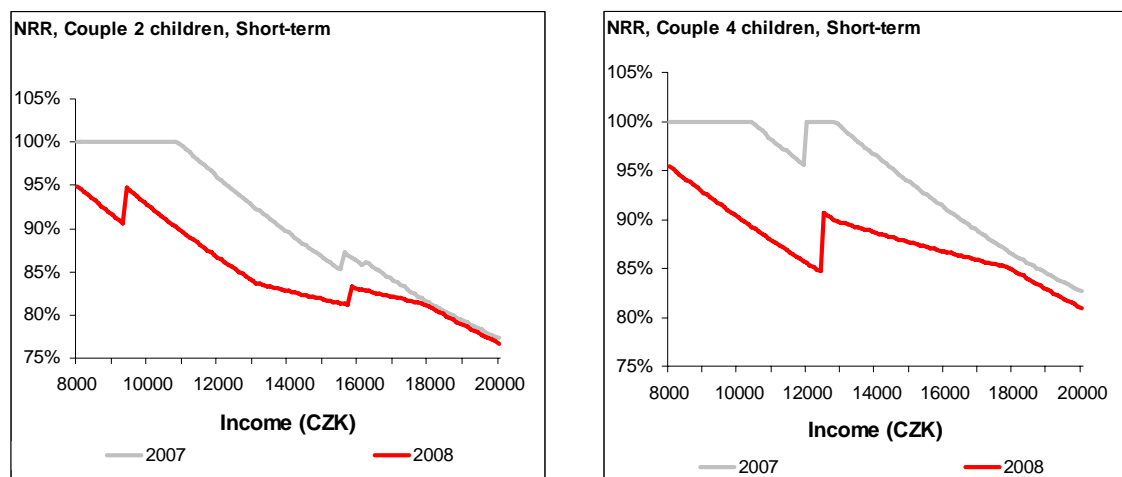
For all household types, the analysis contrasts the so-called short-term and long-term NRR. Short-term rates assume that one family member is unemployed for a short time period such that s/he is receiving unemployment benefits, and that the other family member is long-term unemployed, thus not receiving unemployment benefits. Unemployment benefits are calculated assuming that they are based on a wage that corresponds to the wage opportunity considered in the NRR calculations. For example, when the potential wage is CZK 10,000, it is assumed that the previous wage (before unemployment) was also CZK 10,000. Moreover, the MLS rather than the EM is used as the testing level for Social Necessity Benefits when calculating short-term rates. On the other hand, long-term NRR rates, which are relevant for long-term unemployed, correspond to the situation when the family does not receive unemployment benefits any more. In 2008 it is also assumed that the EM instead of the MLS serves as the testing level for Social Necessity Benefits of long-term unemployed. Finally, a number of assumptions are made on the family status. It is assumed that children are between 6 and 15 years old (so we abstract from parental allowances). It is also assumed that they live in a municipality with up to 100,000 inhabitants and that their actual cost of housing is the same as the socially respectable cost of housing. This means that they do not pay more than the level defined by law. It is also assumed that households satisfy all conditions to receive social necessity benefits.

**1.35 Previously very high Net Replacement Rates have declined as a result of the 2008 reforms, suggesting that labor supply disincentives have been reduced, in particular for long-term unemployed.** Figure 27 shows short term and long-term NRRs for different family size configurations for 2007 and 2008. Short-term replacement rates depict the situation for families whose breadwinner has been unemployed for less than 12 months, i.e. receive unemployment benefits and are subject to the MLS. The long-term replacement rates present the picture for those who have been unemployed for more than

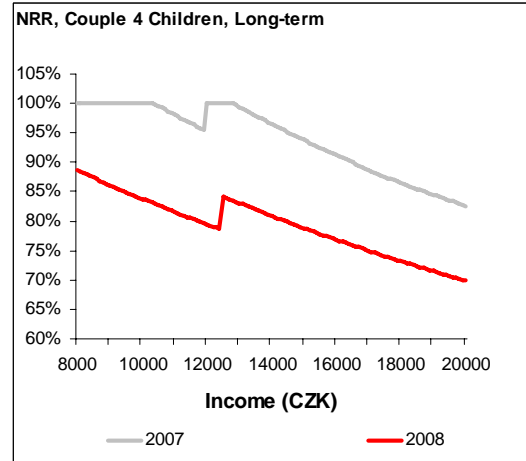
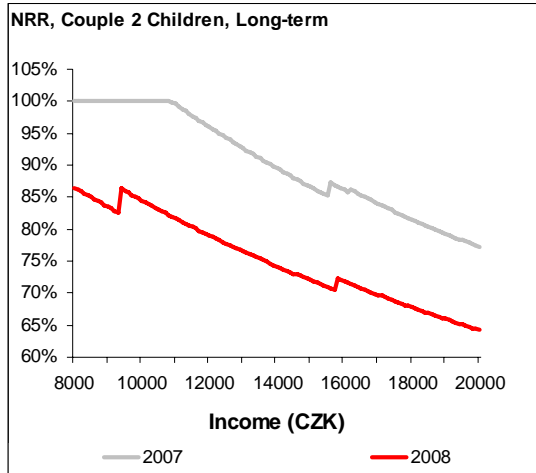
12 months, are not eligible for unemployment benefits and are subject to the lower EM instead of the MLS. There are two main observations from the simulations:

- **The high NRRs of close to 100 percent in 2007 suggest that the previous system had powerful labor supply disincentives**, in particular for those whose prospective labor earnings are low and for those who are able to earn income from informal jobs on top of social benefits. For example, the simulations suggest that in 2007 a couple with 4 children was as well off on benefits (NRR of 100 percent) as with a salary of CZK 13,000 which is 65 percent of the average production wage in the Czech Republic in 2007. This confirms the evidence from the Roma labor force survey presented above.
- **The 2008 reforms have decreased NRRs, in particular for the long-term unemployed.** The decline is more pronounced for lower income levels and is typically in the order of 20 percentage points for long-run net replacement rates. The fall in NRRs is greater for the long-run rates, reflecting the powerful effect of the application of the lower EM for long-term unemployed. Also, as shown in Figure 9, the drop in NRR is typically more pronounced for low income families with a higher number of children. The sudden increases in short-term NRRs for families with 2 and more children, which are moving to higher wage levels as the number of children increases, are caused by the availability of social and child allowances (which grow as a function of family size)<sup>17</sup>.

Figure 9: Previously high NRRs have fallen as a result of the reform, reducing work disincentives



<sup>17</sup> Once family earned income exceeds the eligibility threshold, the denominator of NRR, the total family income (earned income plus allowances) decreases because allowances are no longer available. Hence the increase in the NRR.



Source: Jurajda and Zubricky (2008)

**1.36 Moreover, the unemployed face tighter rules for cooperation with the labor Offices.** Job-seekers are required to report to the Labor Office on a regular basis to demonstrate their job search requirements and can be deleted from the register for failure to cooperate with the Labor Office. However, there is a question as to whether this is fully enforced. Since 2004, long-term unemployed have been obliged to accept temporary job offers or perform public works tasks.

**1.37 Summing up, the Czech Republic has introduced measures to tighten responsibilities of job-seekers and make work “pay” more.** The recent changes to the Czech tax and benefit system, in particular the introduction of the Existential Minimum threshold, should reduce employment disincentives related to social welfare benefits. This, in turn, should raise long-term unemployed social welfare beneficiaries’ readiness to look for employment. The next section will review the extent to which the Labor Offices are able to meet their part of the mutual obligations bargain.

*The Labor Office needs a new approach to provide effective activation services to disadvantaged job-seekers*

**1.38 The Czech Republic has introduced reforms to its employment promotion policies.** However, compared to the tightening of obligations and incentives on the beneficiary’s side, reforms on the Labor Office side to raise its ability to more effectively deal with disadvantaged and long-term unemployed have remained more limited. According to the new Act on Employment of 2007, individual action plans with increased attention for the job-seeker by the employment office are available for job-seekers below the age of 25 and for university graduates. Moreover, the Czech Government has proposed to merge the social assistance functions of the municipalities and the Labor Office functions from 2009 onwards by establishing a National Office for Labor and Social Affairs.

1.39 **Yet more fundamental change in the Labor Office appears necessary to respond to the changing demands of the labor market and to enhance placement of disadvantaged job-seekers, for example Roma.** This study argues that enhancing services for disadvantaged job-seekers would require the development of a number of elements of modern employment activation through the Labor Office as well as changes to the type of active labor market programs offered to Roma and the way they are administered. The following section reviews international best practice and assesses where the Czech Labor Office stands relative to that. It is worth noting that these are good practice policies relevant for the modernization of the Czech Labor Office overall and irrespective of the Roma employment challenge. At the same time, it is clear that not all presented elements can be implemented over night without the risk of overwhelming the Labor Office structures and raising, at least in the short-term, the cost of their operations. However, it is worth pilot-testing several approaches and rigorously evaluating their impact prior to a country-wide introduction over time.

#### Employment service operations

1.40 ***Profiling of clients at registration allows better tailoring of service provision to job-seekers' needs, particularly the hard-to-place such as Roma job-seekers.*** Typically, EU public employment services categorize their client groups using a graduated scale from those easy to place to those most distant from the labor market, based on factors that predict the ease or difficulty of placement such as age, length of unemployment, education, literacy and numeracy, ethnicity, disability and other personal characteristics. Clients are then divided into separate categories, for example four groups like in the Netherlands, and job counselors' time and resources are applied in a differential way to each group. For example, a category one job-seeker (close to the labor market) would be assigned to self-service options and a category four job-seeker (most distant from the labor market) to interventions such as intensive counseling or specially required programs focusing on raising his/her employability. The profiling of job-seekers allows for service targeting and enhanced services for the disadvantaged without requiring, in theory, extra resources. The rationale is that service prioritization allows for a more efficient allocation of resources available for counseling: Staff time which is currently allocated to relatively easy-to-place job-seekers is freed up and focused on the more difficult cases.

- *Job-seeker profiling and service differentiation – status in the Czech Republic:* While Czech Labor Offices record jobseekers' details for benefit payment purposes and on a caseload management computerized system, they do not utilize profiling and caseload prioritization. Research conducted for the purposes of this report indicates that labor offices are not profiling clients according to their distance from the labor market, and do not allocate proportionately more time to the long-term unemployed. Each job-seeker is registered in the Labor Offices's database, but not characterized according to his or her distance from the labor market. As a result, Labor Offices do not systematically categorize job-seekers according to their distance from the labor market and degree of counseling requirements. Essentially every job-seeker gets equal service.

1.41 **An individualized approach to counseling job-seekers, typically through *individual action plans*, is at the core of modern activation policy and particularly useful for multiply disadvantaged job-seekers such as long-term unemployed Roma.** Individual action plans lay out an individual pathway to employment agreed between the job-seeker and the labor office, involving training and addressing the client's multiple social needs (including health, debt, childcare etc) as well as personal aspirations: Ideally they activate and empower. The individual action plan is also often used when activation services for the most difficult-to-place clients are contracted out based on performance related payments to the contractors<sup>18</sup>. The European Employment Strategy stipulates that all those jobseekers under 25 should be engaged with before they pass the six month threshold and that the over 25s be engaged with before they pass the 12 month threshold. If fully enforced, individual action plans are a particularly useful tool for those job-seekers who have multiple barriers to employment, such as a lack of skills, a lack of prior labor market experience and social needs.

- *Individual action plans – status in the Czech Republic:* The Czech Labor Office has introduced a mandatory individual action plan regime for unemployed under the age of 25, but it remains optional for those over 25. This follows the introduction of a pilot in the Moravskoslezsky kraj, where individual action plans have become a much utilized tool. However, staff in Labor Offices interviewed for the purposes of this report stated that they are generally making limited use of individual action plans for jobseekers over the age of 25, and sometimes not even for those under 25. The reasons given range from insufficient staff time to a lack of interest on the side of the job-seeker, suggesting that the tightened obligations of the job-seekers to cooperate may not be systematically enforced.

1.42 **Effective implementation of the activation agenda implies a *differentiated operational model* for the public employment service, with a greater concentration of resources on the hard-to-place.** The nature of employment activation is a departure from the traditional one-size-fits-all public employment service model and, through its inherent specialization and differentiation of services, requires staff retraining and operational restructuring. For example, it requires freeing up PES staff with back office duties to increase the number of frontline staff. While it needs to involve substantial retraining of staff, it also requires bringing in insufficient or missing skills such as psychologists, social workers and others. A greater focus on long-term unemployed and hard-to-place job-seekers requires the inclusion of social work functions into the service mix. Some OECD countries have merged employment service and social work functions to provide integrated services to job-seekers, and the Czech Government has proposed to do the same. For example, in the UK, the Jobcentre Plus (JCP) combines the previously separate job placement and benefit administration functions into a one-stop shop for employment service and income support<sup>19</sup>.

---

<sup>18</sup> Individual action plans are used in contracting out of activation services in the Job Network in Australia or the Employment Zones in the United Kingdom.

<sup>19</sup> Tergeist and Grubb (2006)

- *Employment services management – status in the Czech Republic:* The Czech Labor Office is the central institution in the implementation of national labor market policies and separate from municipal social welfare services and benefit administrations. It is tasked with a wide range of functions from the payment of State Social Support benefits to providing employment services to jobseekers. According to data from December 2007 on “frontline” staff-client ratios from each regional Labor Office in the Czech Republic, the average ratio across the country is 1:200 – above the EU average of around 1:150<sup>20</sup> and the ILO-recommended 1:100. This suggests that there are not enough staff freed up to focus on frontline duties.<sup>21</sup>

1.43 ***Outsourcing of activation services is particularly useful in the case of highly disadvantaged job-seekers such as long-term unemployed Roma who require more specialized and intensive interventions.*** The rationale is straightforward: Long-term unemployed and marginalized job-seekers require highly individualized and time-consuming services which include specialized social work services, and traditional employment services are typically not well-placed to deliver such services. It may simply be more efficient for the Labor Offices to contract out highly specialized and intensive services rather than delivering them in-house. Key requirements for effective outsourcing are good outcome measurement frameworks and pay-per-performance arrangements to help track performance quality and provide the right incentives to providers. The development of effective partnership and service outsourcing models has been an important element in the modernization of a number of OECD countries’ public employment services. Over the last few years Australia has been at the forefront of the rollout of private provision of activation and placement services<sup>22</sup>, with encouraging results on the employment activation of its disadvantaged Aboriginal population<sup>23</sup>.

- *Contracting out of employment reintegration services and partnership with the private and NGO sectors – status in the Czech Republic.* The Czech Labor Office has experience with outsourcing retraining and public works programs, but is not systematically outsourcing integrated comprehensive activation services such as practiced for example in Australia. As acknowledged by Labor Office job counselors interviewed for this report, the Czech Labor Offices are facing difficulties in promoting access to the labor market for Roma. The reasons are many; however, it is clear that the Labor Office alone cannot adequately address the labor market needs of the Roma. The key to success both in the Czech Republic and elsewhere is the development of close, performance-based contractual collaboration with other, more experienced and specialized agencies to deliver employment services of

<sup>20</sup> It is worth noting that this EU average figure hides a lot of variation, e.g. with Germany having a ratio of about 1:200 and the Netherlands 1:60.

<sup>21</sup> Staff-client ratios are typically difficult to define in PES generally, as an accurate ratio depends on the definition of who are the frontline staff who actually deal with the public. Here “frontline” staff are defined as mediation associates and counsellors, i.e. excluding staff working on benefit administration and highly specialized staff such as psychologists.

<sup>22</sup> Tergeist and Grubb (2006)

<sup>23</sup> Department of Employment and Workplace Relations (2006)

relevance to Roma. There is promising experience in the Czech Republic, including funded from the European Structural Funds, which merits evaluation and further roll-out. However, systematic outsourcing of core activation services requires raising the Labor Office's capacities in setting service standards and monitoring services under performance-based contracting as well as large scale tendering and contracting.

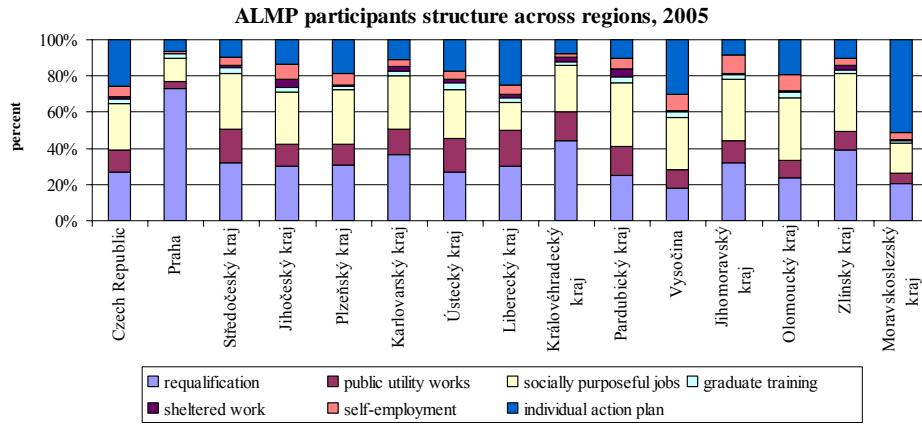
**1.44 Systematic program performance monitoring and impact evaluation of employment programs has become widespread across many OECD and EU countries.** They are essential elements of public policy in general in that it allows reviewing whether programs work – whether they are well targeted and effective and whether money is well spent. It allows evidence-based decision making – scaling programs up if they work and adjusting them if they do not work as expected. Recently, the design of employment activation policy in many countries has benefited from quantitative evaluations, for example in the United States, the United Kingdom, the Netherlands, Australia and Germany.

- *Performance measurement and evaluation – status in the Czech Republic:* While there is some experience with performance monitoring for active labor market policies, the Czech Republic has seen little rigorous impact evaluation of active labor market programs as yet. Raising capacities in this area will be a useful investment to ensure better knowledge about the effectiveness of employment policies, and the budgetary resources spent on them.

#### Labor market programs

**1.45 Active labor market programs most commonly used in the Czech Republic are requalification and training, public works and socially beneficial jobs.** Figure 10 presents the breakdown of ALMPs across regions, suggesting that the main interventions are requalification, public works and socially beneficial jobs and confirming the findings for Roma beneficiaries reported above. However, there are variations: Moravskoslezsky kraj, the region with the highest incidence of unemployment and long-term unemployment, has been placing a strong focus on individual action plans, with more than 50 percent of ALMP participants enrolled in such plans. As opposed to that, Ustecky kraj, the second most deprived regional labor market, follows almost the same pattern as the Czech Republic averages. Interviews with job counselors conducted for the purposes of this report suggest that most disadvantaged job-seekers, including Roma, are placed into public works programs which typically last up to a year. They confirmed that there is some churning on public works programs, and training on such programs seems to be limited to basic operations required for the particular job rather than systematic up-skilling to a national qualification standard.

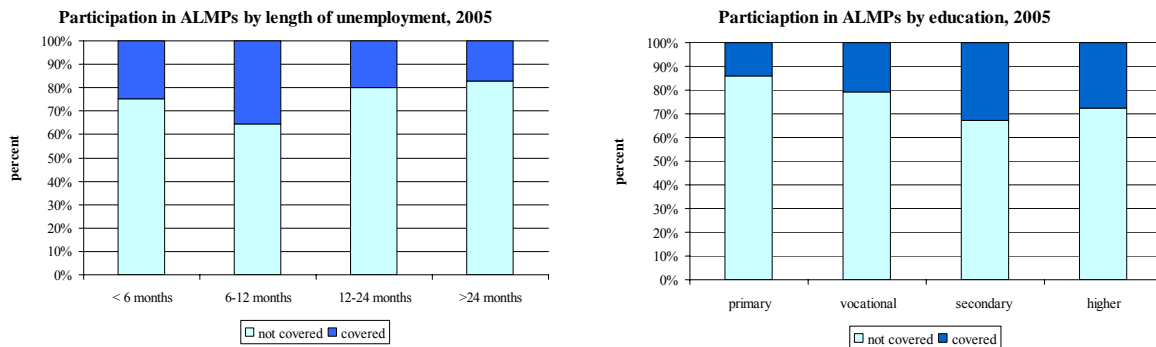
Figure 10: The content of ALMPs varies across regions



Source: Research Institute for Labor and Social Affairs (RILSA), 2007. Note: Individual Action Plans are not typically an active labor market program, but are listed as such in the RILSA statistics.

1.46 While the provision of active labor market programs is concentrated in high unemployment regions across the Czech Republic, programs are not targeted to the most disadvantaged job-seekers. As Figure 11 reveals, the current programs are not targeted towards the disadvantaged groups, such as those with low educational attainment and long histories of joblessness. Over 30 percent of unemployed with complete secondary education participate in active labor market programs, compared to only 14 percent of those with only elementary education. Furthermore, 35 percent of unemployed with 6 to 12 months of unemployment participate, but only 20 percent of those with between 12 and 24 months and only 17 percent of those with more than 24 months of unemployment.

Figure 11 ALMP participation varies across regions, but are typically not targeted to the most disadvantaged job-seekers



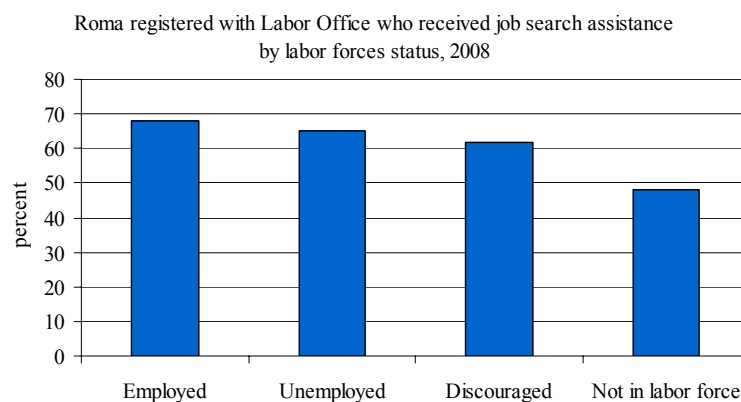
Source: Research Institute for Labor and Social Affairs (RILSA), 2007

1.47 Unemployed Roma rely heavily on the Labor Offices in looking for jobs, but there are also many registered who are not looking for work. Nearly two-thirds of the unemployed reported that they use services provided by the Labor Office. This is in

line with international experience which shows that public employment services are typically used as a main channel for job search. The main implication of these results is that, given their prominent role, better tailoring public employment services to the needs of Roma unemployed has a potential of improving their chances to find a job. At the same time, the majority of Roma registered with the Labor Office are not actively looking for jobs. This suggests that many of them may register for purposes other than finding employment. Two out of three Roma registered with Labor Office were economically inactive, i.e. not looking for jobs. The unemployed and the casually employed – who can be regarded as “legitimate” clients of Labor Office – account for only about 25 percent of all registered Roma unemployed. Given the heterogeneity of Roma registered with Labor Offices, there is a need to develop a range of services and approaches, including benefit sanctions, tailored to the different needs of different Roma groups.

**1.48 Most Roma who visit the Labor Office receive job search assistance or vocational counseling.** The frequency of visits varies from once per month (47 percent of registered) to once every 3 months (25 percent). Altogether, job search assistance is provided to some 60 percent of all registered Roma. Not surprisingly, it is provided mainly to those who are part of the labor force (the employed and the unemployed) and thus have close attachment to the labor market. It was received by close to 70 percent of the Roma that are currently employed, and by 65 percent of the unemployed (Figure 12). However, job search assistance is also provided to many discouraged workers (60 percent). This is a positive sign insofar as it can help to motivate discouraged Roma to actively look for jobs. Although a majority of Roma benefit from job search assistance provided by Labor Office, there is still a substantial fraction of those who do not, including those who are economically active. Thus there is room for improvement and for providing assistance to more Roma jobseekers.

**Figure 12 Most Roma who are registered with the Labor Office receive job search assistance, especially those who are actively looking for a job**



Source: Roma Labor Force Survey 2008; Bank staff calculations.

**1.49 Many Roma are offered vocational training but few complete it.** Out of all Roma registered with the Labor Office 36 percent were offered to participate in a training

course in the last 3 years.<sup>24</sup> However, only 62 percent of those who were offered training actually got enrolled, while the remaining part refused to participate. And 77 percent of those who were enrolled in training completed the course. As a result only 17 percent of Roma registered with the Labor Office completed a training course in the last 3 years. The fact that almost 40 percent of Roma who are offered training refuse to participate is a negative symptom. It either implies that a substantial fraction of Roma workforce is not interested in upgrading their skills, or that training offered by the Labor Office is not tailored to Roma needs. Indeed, expert interviews conducted for the purposes of this study confirm these findings and reveal skepticism as to the usefulness of training typically offered to Roma, with some experts highlighting the fact that training seldom leads to actual employment for Roma, thereby reducing Roma jobseekers' interest and motivation to participate<sup>25</sup>.

**1.50 Training is the main program used by Labor Offices to promote Roma employment, yet is not particularly effective in improving Roma employment chances.** Only six percent of registered Roma were covered by active labor market programs other than training. However, only 27 percent of those who completed training managed to get a job afterwards. Most of those who found a job did it on their own (53 percent); the rest got a job through the Labor Office (43 percent) or the training provider. The low success rate is worrisome, and there seems to be much room to better tailor training to Roma needs and thus to improve the success rate.

**1.51 Summing up, while the Czech Republic has introduced measures to tighten responsibilities of job-seekers and make work “pay” more, the Labor Office currently appears not fully prepared to take on its share of the mutual obligations bargain, and there is evidence that support to Roma is not very effective.** The Labor Offices have not yet been restructured to provide more individualized, intensive services to disadvantaged job-seekers or to contract out such activation services to qualified third sector service providers. Moreover, as currently managed, traditional active labor market programs such as retraining do not appear to be effective to enhance employment chances of Roma. Unless the capabilities of the Labor Office are enhanced and programs are adjusted, there is a risk that the tightened obligations on the job-seeker do not result in more employment, but rather in lower household income for socially excluded families through reduced or lost social welfare benefits.

### **Preventing future joblessness: Improving Roma education and school-to-work transition**

**1.52 In the long-term, employment chances of the Roma will only sustainably improve if their educational disadvantage is overcome.** Ensuring their full educational integration and better education outcomes through addressing inequities in the education system requires preventive action now, in order to reap the benefits over the coming decades. International experience suggests that the educational integration of Roma,

---

<sup>24</sup> Training courses are organized mostly by Labor Offices themselves; only 12 percent of trainees participated in courses organized by private training providers or NGOs.

<sup>25</sup> Uherek et al (2008)

rather than segregation into separate schools, is the solution to unsatisfactory education outcomes. Equal opportunities in education for all is a basic human right. However, integration rather than separation is also good education policy, following mounting evidence on the benefits from instructing children with differing backgrounds and capabilities in the same classroom and avoiding early streaming into classes and schools for less and more successful students. Integration provides each child with an equal opportunity to explore his or her own potential and not be held back by poor learning conditions and instruction.

**1.53 Effective and sustainable social inclusion policies need to focus on early intervention and preventive measures to improve education outcomes for Roma.**

Experience from around the world suggests that overcoming social and labor market exclusion of the Roma requires a life-cycle approach that starts by investing in early childhood development and translating into improved school outcomes and lifelong learning. Research shows that family background has profound impact on an individual's development. Children who grow up in poverty and disadvantaged circumstances have lower life chances: They enter school insufficiently prepared, do worse in school, leave school earlier and have lower employment chances. The stress of experiencing poverty, lacking stimulation in particular at very young age, lacking positive role models and a lacking learning support environment at home all contribute to worse school outcomes and subsequent failure in the labor market. Low educational attainment and high drop-out rates are often linked to insufficient preparation at the time of entering primary school. Research shows that preparation fosters cognitive, language and behavioral skills, which are vital to exploit one's full potential in later school education.

**1.54 The large share of youth among the Roma population in the Czech Republic suggests the need for a youth focus of policies supporting Roma employment.** Young people in general have been identified as a vulnerable group in the labor market in the Czech Republic, but young Roma are particularly at risk. According to the labor force survey in marginalized Roma localities, a sizable share of the population of jobless Roma is below the age of 25. With a high share of Roma having only primary education and less, young Roma are particularly at risk of being neither in employment nor education or training (NEET).

*The Czech education system does not appear to provide equal chances for Roma children*

**1.55 Roma in the Czech Republic have been suffering from unsatisfactory education outcomes for a long time, worsening their labor market prospects.** The evidence from the survey in marginalized Roma localities confirms the low education status of socially excluded Roma in the Czech Republic, with the majority having completed only primary education – or even graduated from special schools for children with special learning needs – which leaves them without the skills needed in the modern Czech economy<sup>26</sup>. The legacy of segregation of Roma children into special schools has recently triggered a decision of the European Court of Human Rights against the Czech Republic over a case in Ostrava, ruling that the case of disproportionate streaming of

---

<sup>26</sup> Special schools were transformed into “basic practical schools” in 2004.

Roma children into special schools in Ostrava constituted as violation against fundamental rights.<sup>27</sup>

**1.56 At the same time, it appears that access to services such as nursery and kindergarten for Roma in marginalized localities is poor.** According to the survey of marginalized Roma localities, utilization of kindergartens among Roma children appears very low, with only 36 percent of Roma children in households with children in pre-school age going to kindergarten or zero classes. This contrasts with a high enrollment overall of children in pre-school in the Czech Republic overall: In 2006 more than 86 percent of Czech 4 year-olds were enrolled in pre-primary or primary education<sup>28</sup>.

**1.57 While Czech pupils have consistently performed above average in successive international student assessments, the Czech education system retains high variation in education outcomes between schools.** Data from the OECD's 2006 Program in International Student Assessment (PISA) indicates that the Czech Republic is one of the OECD countries with the highest variation in student performance between schools<sup>29</sup>. Moreover, a lot of this variance can be explained by economic, social and cultural status of students or schools in the Czech Republic. At the same time the variance in student performance within schools is substantially below the OECD average. This suggests that, while having highly successful schools which produce high learning outcomes, the Czech Republic also maintains highly unsuccessful ones with low learning outcomes and where the lacking success owes to the children's social status, among others. In effect, this means that the Czech education system does not appear to make up for unequal starting positions resulting from social-economic inequities.

#### **A NEW APPROACH TO ENHANCING EMPLOYMENT PROSPECTS OF JOBLESS ROMA**

**1.58 Improving job chances for socially excluded youth and adults, including Roma, will require a new approach,** with a new way of engagement through the Labor Office and a focus on raising skills relevant in the labor market and activating and empowering marginalized individuals.

*Jobless Roma are a diverse group and require varying solutions*

**1.59 Roma in marginalized localities are a heterogeneous group, suggesting that enhancing employment chances will require different solutions for different groups.** As described in this report, jobless Roma can be divided into inactive and unemployed, with inactive divided into discouraged and "truly inactive/disinterested". Moreover, skill levels vary across the Roma population living in marginalized localities. Lastly, it is important to differentiate policy interventions between adults and youth who have just left school. Table 6 lays out a simple taxonomy of jobless Roma, with differing main

---

<sup>27</sup> This decision follows research in 1999 by the European Roma Rights Center (ERRC) which found that Roma children in Ostrava were substantially more likely to be in special schools than non-Roma children. While representing less than 5 percent of all primary school children in the Ostrava region, Roma children made up more than 50 percent of special school pupils.

<sup>28</sup> European Commission (2008)

<sup>29</sup> OECD (2007c)

challenges, to guide decisions on the type of primary intervention. The type of engagement and support for jobless Roma will depend on whether looking at those in the labor force (unemployed and casual workers) and those outside the labor force (discouraged workers and inactive). Moreover, the defining differences are the level of skills as well as the extent of labor market attachment. In addition, it is worth differentiating youth unemployed, in particular those on the verge of leaving school and those that have recently done so, and who are not in employment or training (the so called “NEETs” – *Neither in Employment Education nor Training*).

**Table 6: A simple taxonomy of jobless Roma in the Czech Republic and primary interventions**

<b>Category</b>	<b>Main challenge</b>	<b>Primary intervention</b>
<b>1. Unemployed and casually employed</b> (in the labor force) – 17 percent of the working age population	Skills barriers and lacking work experience	Individualized action plans with training and subsidies, managed by LO or contracted out to service providers
<i>Unskilled and low-skilled</i>	Skills	<ul style="list-style-type: none"> <li>• Public works, subsidized employment with skills upgrading;</li> <li>• Targeted retraining linked to new employment;</li> <li>• Second chance literacy programs;</li> <li>• Transport vouchers</li> </ul>
<i>Skilled</i>	Work experience	<ul style="list-style-type: none"> <li>• Job counseling and search assistance</li> <li>• Transport vouchers</li> </ul>
<b>2. Individuals not in the labor force</b> – 56 percent of the working age population	Skills and attachment to the labor market	Employment activation with mutual obligations, integrated activation services contracted out to service providers
<i>Discouraged (out of the labor force)</i>	Skills and attachment to the labor market	<ul style="list-style-type: none"> <li>• Improving incentives and tailored support through employment activation services with training and job search assistance, contracted out</li> </ul>
<i>Inactive (out of the labor force)</i>	Motivation and multiple interacting barriers preventing labor market participation	<ul style="list-style-type: none"> <li>• Community social work outreach to address barriers (debt, lack of kindergarten access and others), contracted out</li> </ul>
<b>3. Youth and recent graduates</b> – 20 percent (age 15-24) of the working age population	Skills and early drop-out from school	Measures to retain in or return to education and training <ul style="list-style-type: none"> <li>• Professional and career orientation at school</li> <li>• Further education and vocational training programs beyond compulsory education – supported with conditional cash incentives;</li> <li>• Second-chance education</li> </ul>

*The Labor Office will require further change to better deal with disadvantaged jobseekers*

**1.60 Enhancing employment chances for Roma will benefit from the adoption of a modern employment activation approach based on mutual obligations – with strengthened incentives to cooperate for the jobless and a greater focus on effective support through the Labor Office.** While incentives for the long-term unemployed to seek work have strengthened in recent years, the Labor Office at the beginning of 2008 remains insufficiently prepared to help disadvantaged job-seekers. In order to retain policy coherence and avoid that disadvantaged job-seekers are adversely affected by recent changes in the benefit system, the Labor Office needs to revamp its approach to help disadvantaged job-seekers into jobs. Policy directions can be differentiated into two groups, (i) a change in the modus of engagement with disadvantaged long-term unemployed and (ii) promotion of new types of active labor market programs.

**1.61 First, the proposed new agenda would require a fundamental change in the management and delivery of public employment services. Based on international good practice, this could involve the following elements:**

- *Change the mode of engagement with disadvantaged Roma job-seekers, offering a highly individualized and complex service, addressing their multiple employment, financial social and other needs that affect their employability as well as reflecting their individual aspirations. Individualized service provision starts with profiling of new clients into different categories depending on distance from the labor market and varied service packages for the different category job-seekers.*
- *Restructure the Labor Office to free up more staff for individual counseling of vulnerable job-seekers.* This entails training of staff to deal with this new challenge, including training on overcoming the cultural and communications divide, as well as the hiring of new skills, such as social work skills. It could also involve merging Labor Offices with social welfare offices to offer the job-seeker an integrated service window addressing his/her multiple needs. This would free up staff for frontline interactions with disadvantaged job-seekers and allow providing integrated services, including traditional employment services and social work services (e.g. debt advice).
- *Consider a substantial roll-out of outsourcing of activation services, including job counseling and referral, to qualified private and non-governmental agencies and with performance-based contracts.* This is relevant in particular for the large group of discouraged inactive individuals. While it is important to ready the Labor Offices to deal with disadvantaged clients, outsourcing entire service caseloads for the most disadvantaged job-seekers is likely to be more effective and cheaper than recruiting highly specialized service providers in-house.
- *Make debt advice and financial literacy programs a core element of employment activation for long-term unemployed social welfare benefit recipients.* International experience suggests that this may be best done through qualified

- non-governmental and non-profit agencies, for example through making debt work-out part of the menu of outsourced activation services. Debt advisory services are standard elements of social policy in many OECD and EU economies, and one which is crucial to develop for the Czech Republic, if a primary barrier to formal employment for Roma is to be overcome. Based on experience with such debt advisory services, it may also be worth considering introducing the institution of personal bankruptcy. Moreover, the provision of financial literacy programs in marginalized localities may help prevent further indebtedness of households and individuals<sup>30</sup>.

### Box 3: **Dealing with personal indebtedness – financial literacy and debt counseling**

International evidence shows that personal indebtedness and joblessness, social exclusion and poverty often go hand in hand. Personal indebtedness has been identified as a social challenge, and in many advanced economies a *debt counseling* sector has emerged, with debt counseling services typically offered by non-governmental and non-profit organizations, charities or church-based organizations and often with public financing. Debt counseling typically involves personal advice to indebted individuals and help in paying off the debt and mediating between debtors and creditors. A typical approach builds on debt management plans which allow consolidating multiple monthly payments to different creditors into a single one as well as negotiating a reduced interest with lenders. In the EU, the Irish Money Advice and Budgeting Service (MABS) has received a lot of attention from other Member States. The MABS provides free, independent and confidential one-to-one counseling through trained money advisers. Launched as a pilot in 1992, MABS has since been rolled out across Ireland and operates through 52 independent local companies limited by guarantee and financed through the Department of Social and Family Affairs.<sup>31</sup> MABS operates in close partnership with local authorities, community welfare offices, NGOs and credit unions, all of which are also represented on the management boards of the local companies. The majority of MABS clients are social welfare recipients.

Meanwhile, *financial literacy* and consumer protection in financial services has recently received increased attention across the European Union<sup>32</sup>. It reflects a recognition that financial literacy – the ability of individuals to take adequate decisions related to purchasing financial products – has not kept pace with the growing availability of ever more sophisticated financial products. However, it is also motivated by the fact that low income households and less educated individuals are at particular risk of becoming unsustainably indebted in contexts of weak consumer protection and insufficient knowledge of financial products and the risks involved. Efforts have focused on developing curricula for financial education in schools as well as adult financial literacy programs. Under national financial literacy policies, trainings for young people are typically provided in conjunction with schools and, as adult programs, often by charities and non-governmental organizations. For example, in the UK, the Financial Services Agency oversees a National Strategy for Financial Capabilities and works through various non-profit organizations as well as with online tools to target school children, young people Not in Education, Employment or Training (NEETs), young parents, students in tertiary education and individuals in their workplaces.

<sup>30</sup> See World Bank (2007b) and World Bank (2008) for specific recommendations on financial literacy programs and consumer protection and financial services.

<sup>31</sup> See Korczak (2004) for the Irish MABS experience and a summary of policies in place in other EU Member States

<sup>32</sup> For a survey of financial literacy programs across EU Member States see Habschick et al (2007).

- *Introduce routine evaluation of employment and social welfare policy, particularly of any new services focused on disadvantaged job-seekers.* While the Czech Republic can benefit from international experience in guiding the development of new policy solutions, their effectiveness will depend on the circumstances in the country. It is unavoidable, therefore, to experiment with solutions, for example through piloting promising new programs and then rigorously evaluating their impact before scaling them up or rolling them out nationally (see Box 4). Moreover, it is important to assess the poverty and employment effect of the introduction of the lower Existential Minimum threshold. This would include both the effect on the share of the poor as well as the depth of poverty for those affected. It could also look at flows of registered unemployed, i.e. whether there has been an increased flow of long-term unemployed on EM into employment.

**Box 4: The policy laboratory: Employment program pilots and impact evaluation**

It is important to recognize that there is no single or certain solution to employment and skills shortage challenges discussed in this note. Countries across the OECD and EU have been dealing with the challenges of long-term unemployment and for years and continuously introduced and tested new approaches. In recent years many countries have placed a greater focus on piloting promising new programs and then rigorously evaluating their impact before scaling them up or rolling them out nationally.

Like fellow new EU Member States, the Czech Republic has the opportunity to adopt a similar “reform laboratory” approach, taking advantage of the availability of funding from the Operational Program “Human Resources Development” (OP HRD). This would involve carefully reviewing international experience, adapting it to the Czech context and designing promising pilot interventions with in-built impact evaluation, all financed by OP HRD. The Social Inclusion Agency is an ideal vehicle for such an experimental approach.

Impact evaluations establish the causal effect of a particular policy or program on outcomes, comparing a “treatment” group—those who receive an intervention—and a “control” group—those who do not receive the intervention for the duration of the evaluation. It can therefore, directly attribute the contribution of the new policy to change in outcomes. Conducting program pilots and evaluating their impact prior to a national roll-out can save money and help tailor programs most effectively to meet their objectives.

**1.62 Second, it will also require a fresh look at the utilization of active labor market programs for disadvantaged long-term unemployed.**

- *Explore options to shift ALMP spending and concentration away from skilled secondary school and university graduates towards low-skilled and disadvantaged job-seekers.* In today’s tight labor market in the Czech Republic the majority of skilled individuals are highly likely to be able to find employment without much support from the Labor Office either in form of extended

interaction with job counselors (i.e. beyond simple and cost-effective job referral services) or in form of participation in Labor Office-financed active labor market programs. Resources could rather be shifted to those who have trouble finding employment on their own and who therefore do require such support – the disadvantaged, low skilled and long-term unemployed.

- *Build on subsidized employment, public works programs, or “community employment”, as a central intervention for unskilled Roma and in low labor demand regions, but include systematic skills upgrading.* In particular, in addition to transmitting work habits and experience, they should involve strategic vocational skill upgrading through training and aim at empowering individuals. In this respect a public works assignment should have an inbuilt formal identification of training needs for each client as well as an agreed training plan linked to the national qualifications framework. Given that many municipalities are overwhelmed with managing public works programs, actually limiting the supply of such positions, the Labor Office could experiment with contracting qualified NGO service providers.
- *Given the widespread functional illiteracy among Roma in marginalized localities, second-chance education and literacy programs should become a core part of the retraining programs offered through the Labor Office.* Creating a basis for subsequent vocational training, they should be seen as a priority engagement for Roma long-term unemployed within the framework of employment activation. They not only raise employability but also empower marginalized individuals to more fully participate in society.
- *Link retraining programs to actual employment and build on client choice.* Retraining programs on average appear to have not delivered employment results for jobless Roma. Successful programs should ideally be closely linked to actual employment and take account of the skills needed in the labor market as well as individual aspirations. If not linked to employers’ needs, they risk being wasteful spending and undermining job motivation of training beneficiaries.

*Focusing on youth and prevention are key to stemming the flow of new disadvantaged jobseekers*

### **1.63 The Roma employment agenda is to a large part a youth employment agenda, and it is primarily with young workers where a difference can be made.**

Improving access of Roma to sustainable and high quality jobs over the long-term requires greater attention to making the education system work for Roma and developing a youth-centered employment activation approach. Policy directions include the following:

- *Address inequities in the education system affecting Roma by systematically implementing an educational integration policy from early childhood to tertiary education.* This entails an expansion of childcare supply and measures to work with Roma parents to motivate them to send their children to child care and

kindergartens so as to prepare them better for school and avoid early channeling into low quality basic practical schools. Incentive measures could also include experimenting with conditional cash transfers (CCTs) linked to kindergarten and pre-school attendance, for example through adjustments in the MLS threshold for children and youth, depending on whether they go to school (higher threshold) or not (lower threshold).

- *Incentivize young Roma to stay in school beyond the minimum mandatory school age*, i.e. into upper secondary education, instead of entering the pool of registered Labor Office clients. The Education Maintenance Allowance (EMA) program from the United Kingdom could serve as an example, and a Czech adaptation could entail applying a higher minimum subsistence level for a dependent child aged 15-26 that remains in non-compulsory education for a maximum of, say, two years and depending on retention and completion of education levels. Alternatively, scholarships for post-compulsory education for children whose parents are on social assistance could help boost retention of Roma children in education and training.
- *Promote early outreach through school counseling and professional orientation to identify and counsel those youth at risk of drop out*. Prevention of early school leaving, and retention in formal education and training requires early outreach to and advisory services for those at risk of drop-out. The experience of the United Kingdom's "Connexions" services tasked with providing guidance to 13-19 year olds, in particular disadvantaged youth, suggests that the Social Inclusion Agency could, in a formalized manner, support schools in engaging youth at risk and counseling them about their options to remain in school or training beyond compulsory schooling.
- *Develop the individual action plan approach for young people further into a mandatory and intensive youth-centered activation approach focused on NEETs*. Following the UK example, this would be centered around intensive counseling, with job placement services, training and remedial or second-chance education for older youth and back-to-school programs for the younger.
- *Pilot and test apprenticeship, internships and wage subsidy programs for young workers*. Facilitating the school to work transition and preventing the NEETs phenomenon will require testing proactive measures like apprenticeships, internships, placement and job subsidies programs for young people to help them not only get into the labor force, but build relevant skills. This is an agenda that requires active contributions and partnerships between the Government and employers and trade unions. For example, experience from across the OECD shows that wage subsidy programs can have positive employment effects for young workers<sup>33</sup>.

---

<sup>33</sup> Kluge, J (2006)

1.64 **Employment policy reform does carry a cost, but a lot can be achieved by reallocating resources.** It is beyond this study to analyze in detail the fiscal implications of employment policy reform. However, the argument is that costs can be contained. First, the introduction of service differentiation – rather than equal service for all – allows freeing up and reallocating resources to those jobseekers who are more difficult to place. This applies both for expenditure on programs as well as management and staff cost. Second, adjusting existing programs which appear to have not worked well for Roma, such as retraining, will ensure money is more effectively spent. Moreover, experimenting with new solutions and evaluating them before a full roll-out can help save money otherwise lost on ineffective policies. Lastly, analysis in neighboring countries suggest that policies to promote Roma inclusion “pays”, and successful employment activation and prevention of long-term unemployment and social welfare dependency can yield fiscal savings through reduced expenditure on welfare payments and increased revenues from taxes<sup>34</sup>.

*The Social Inclusion Agency provides a major opportunity for change*

1.65 **The Czech Government has launched a pilot Social Inclusion Agency to promote innovative partnerships between public services and NGOs in select marginalized communities which provides an entry point for a new approach to promote employment of Roma.** The Agency has been created as an instrument to promote complex solutions to multiple and interwoven forms of social exclusion at the local level and in individual socially excluded Roma localities. It is to foster partnerships at the local level involving the municipal authorities, schools, the Labor Offices and other locally-provided public services as well as non-governmental organizations and the private sector. The creation of the Agency opens the opportunity for developing innovative social inclusion programs individually tailored to local conditions and taking advantage of locally available know-how and actors. While the Agency will be acting as a service provider itself in the pilot localities, it will outsource the bulk of activities. Making the Agency a success will entail adopting a deliberate experimental approach, piloting new approaches, such as performance-based contracting, partnerships with local stakeholder and others and will benefit from an inbuilt culture of evaluation. The Agency has the potential to test and evaluate innovative solutions and, based on proven success, make the case for scaling up.

*Dealing with discrimination requires legislation, its enforcement and work to change public opinion*

1.66 **Enhancing employment chances for Roma also requires modern anti-discrimination legislation to combat cases of discrimination in the labor market and in service provision.** While there is legislation to address discrimination in the labor market, this legislation needs to be enforced. Moreover, the Czech Republic still has not adopted EU-compatible anti-discrimination legislation. While this report’s findings suggest that discrimination in the labor market is not the only barrier to employment of Roma, discrimination is likely to play some role in explaining the high rejection rate of

---

<sup>34</sup> Bogdanov and Angelov (2007); Kertesi and Kézdi (2006)

Roma job-seekers. In addition, reducing discrimination also requires a proactive policy of changing public opinion.

*Enhancing employment chances of socially excluded Roma is a major challenge*

1.67 **Lastly, a word of caution: Not everybody is “activatable”.** Given the extent of the educational and labor market disadvantage of the marginalized adult Roma population, the challenge of employment activation is substantial. Experience from other OECD and EU countries shows that not every disadvantaged jobless adult can be activated, and it is to be expected that— even with the best policies – not all Roma will move from welfare into employment in the Czech Republic. It is, therefore, important to ensure that benefit sanctions in case of non-participation of the jobless adult do not result in adverse effects for the family, and in particular children. Again, here is where the Social Inclusion Agency will play an essential role – in helping to address the multiple dimensions of inclusion of families and in breaking the inter-generational transmission of exclusion by focusing on inclusion policies for children