

2. THE CHALLENGE: ACCESS OF ROMA TO EMPLOYMENT IN THE CZECH REPUBLIC

Analysis of employment and unemployment patterns among Roma is difficult due to the lack of data disaggregated by ethnicity – in the Czech Republic as well as in other countries in Central and South-Eastern Europe³⁵. To fill this gap a specially designed Roma Labor Force Survey was carried out for this study in May 2008.³⁶ This chapter analyzes the survey results to provide a basis of policy discussions in subsequent chapters, focusing on working age Roma in socially excluded communities. It finds highly unsatisfactory labor market outcomes for Roma in the Czech Republic, defined by labor market inactivity rather than unemployment. The main reason for inactivity is the inability to find a job and discouragement, especially for women and prime age workers³⁷. Moreover, this chapter finds that Roma disadvantage in the labor market is driven by extremely low educational attainment and widespread lack of functional literacy and numeracy skills. The labor market outcomes among Roma are highly heterogeneous, often – but not always – explained by skills differences. While most employed Roma work as unskilled workers and have short-term low paid jobs, there is substantial heterogeneity in terms of employment duration and pay. The chapter identifies a number of barriers to Roma employment: On the demand side, low skills appear to be the most important barrier to employment. On the supply side, barriers include reliance on social welfare, personal indebtedness and lacking affordable transportation. Interestingly, Roma jobseekers when looking for jobs rely heavily on assistance provided by Labor Offices, suggesting that the Labor Offices play a key role in overcoming the employment gap for Roma.

LABOR MARKET OUTCOMES FOR ROMA IN MARGINALIZED LOCALITIES

2.1 Roma in the Czech Republic suffer from highly unsatisfactory labor market outcomes, although it is non-participation in the labor market 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 13, left hand panel)³⁸. The unemployed account for only 5 percent of the working age population. Close to 50 percent are employed, however 12

³⁵ Ringold et al (2005)

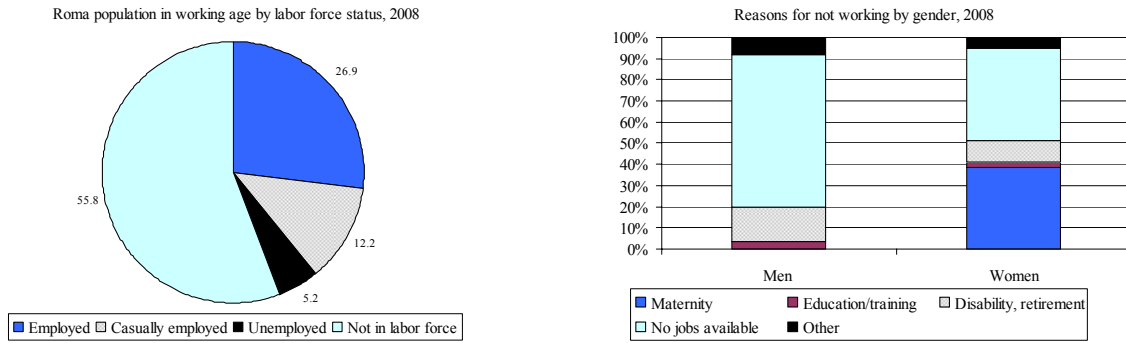
³⁶ See Roma Labor Force Survey – Technical Report for the description of the survey’s methodology, including sample selection.

³⁷ Active job search is a precondition for categorizing a person as unemployed. Persons of working age who are not actively looking for jobs are categorized as economically inactive (out of the labor force).

³⁸ Being outside the labor force is often also termed as “economically inactive”.

percent have only casual and not regular jobs³⁹. After all, in many respects the casually employed are closer to the unemployed than the employed (see below).

Figure 13 Majority of working age Roma in excluded communities are out of the labor force



Note: Population of working age (15-64).
 Source: Excluded Roma Labor Force Survey 2008; Bank staff calculations.

2.2 The primary reason for inactivity 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 13, right hand panel).⁴⁰ This means that many of the inactive Roma are actually so called *discouraged* workers, that is the unemployed who ceased searching for job once their efforts proved futile (see also Box 5 for a discussion of the concepts of unemployment, inactivity and discouragement)⁴¹. This in turn implies that the traditional unemployment rate may be a misleading indicator of Roma labor market outcomes, as it underestimates the actual degree of unemployment among Roma workers. This chapter looks at this issue in more detail below using the so-called augmented unemployment rate.

³⁹ 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.

⁴⁰ It should be borne in mind that these results reflect the *subjective perception* of labor market conditions.

⁴¹ Discouraged workers in the survey 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.

Box 5: The unemployed, inactive and discouraged

In order to understand the nature of Roma joblessness it is important to divide the concepts of unemployment, inactivity and discouragement.

Unemployed workers are individuals working age who are in the labor force and are actively looking for a job. 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.

Inactive persons or those that are not participating in the labor market are individuals of working age who are not employed, but also not actively looking for a job.

Discouraged workers are a subgroup of the inactive who have given up actively looking for a job due to their actual or perceived inability to find employment. They remain interested in finding employment, if it were possible, and in principle respond to activation policies. They contrast with those inactive who are not actively looking for work, for example mothers who choose to stay at home to care for children.

2.3 The lack of job opportunities for Roma workers may reflect a number of factors. First, it may reflect weak labor demand. Second, it may be due to the fact that Roma workers lack the skills required by employers. Finally, it may be the result of discrimination. Available data do not allow rigorously testing these three hypotheses. Instead this chapter presents some circumstantial evidence suggesting that poor skills of Roma workers are likely to be an important factor limiting their employment chances. Chapter 3 of this study will show that, although currently the labor market in the Czech Republic is tight, the demand for low skilled labor is limited. So, both factors – low skills of Roma workers and weak demand for low skilled labor – reinforce each other, barring many Roma from formal employment and driving them into inactivity. Discrimination against Roma by employers likely matter, too (see the section below on unemployment), but still economic factors seem to play the predominant part.

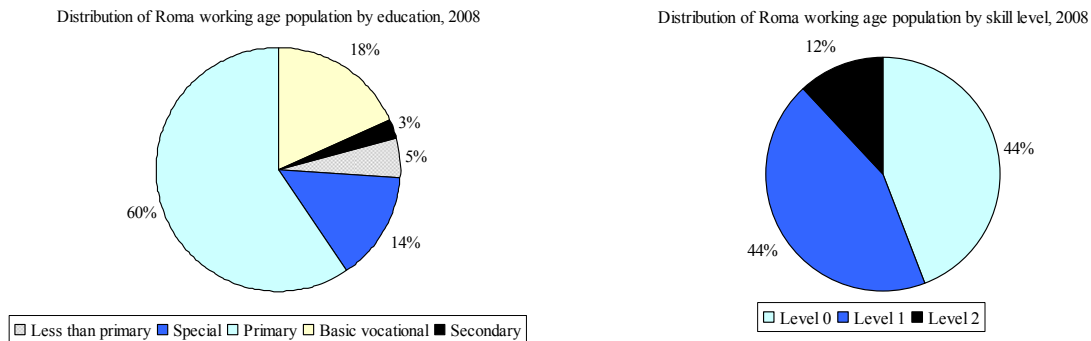
2.4 The educational attainment of Roma in excluded communities is very low. Eight out of ten Roma of working age have no more than primary education (Figure 14, left hand panel)⁴². There is a substantial proportion – 14 percent – of persons who graduated from special schools for children with special 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 more than compulsory education.

2.5 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 14, right hand panel). Another 44 percent have only some basic literacy and

⁴² 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).

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.⁴³

Figure 14 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.

2.6 The inter-generational upward educational mobility is extremely limited among Roma, and there is evidence for a worsening of educational attainment among Roma. 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 received less education.⁴⁴ 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 Roma educational prospects. 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.

2.7 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.

⁴³ The results were obtained using a simple skill assessment survey. The survey is described in Annex 1.

⁴⁴ A very similar pattern emerges when one compares educational attainment of daughters with that of their mothers.

2.8 **Most Roma have a short record of formal employment, limiting their access to old age pension in the future.**⁴⁵ This particularly refers to younger generations, i.e. those which entered the labor market after the fall of the communist regime in 1990. For example, the average length of formal employment is 23 years for older workers (aged 55-64) compared with less than 9 years for prime age workers (aged 25-54), (Table 7). This appears to be a disproportionate difference, suggesting that the likelihood of formal employment for Roma workers may have been higher under central planning than it is under market economy. But this is likely to be a general pattern. The question whether the transition affected the Roma formal employment chances more than those of non-Roma is still open. However the bottom-line is that given the short spells of formal employment among younger Roma most of them will not be eligible to pension insurance. This may increase the incidence of poverty among Roma in the future, and increase the burden on the social welfare system.

Table 7 Duration of formal employment^{a)} by age

Age	Years in formal employment
15 – 24	0.9
25 – 54	8.4
55 – 64	23.1

a) Employment covered by pension insurance.

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

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

2.9 **As to the recent labor market history, most Roma worked only few months in the last three years.** On average men worked for 13 months and women for 7 months (Table 8). But the average values mask substantial variation across individuals. While 25 percent of Roma men worked for at least two in the last three years, another 25 percent did not work at all. And 25 percent of Roma women worked for at least 11 months in the last three years, while 50 percent did not work at all. These data show considerable inequality in labor market outcomes among Roma even within what seem to be relatively homogenous communities. While a large number of Roma fare well on the labor market (in terms of employment), an equally large number fare poorly.

Table 8 Duration of employment in the last three years by gender (summary of the distribution)

	Duration of employment in the last 3 years	
	Men	Women
	<i>Months</i>	
Average	12.7	7.0
Top decile	36	27
Top quartile	24	11
Median	9	0
Bottom quartile	0	0
Bottom decile	0	0

Note: Persons aged 18 or more.

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

⁴⁵ Formal employment was defined as that covered by pensions insurance.

ROMA EMPLOYMENT PROFILE

2.10 Few Roma in excluded communities are employed. Only 27 percent of working age Roma are employed, compared with the national average of 66 percent (Table 9). 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.⁴⁶ The unemployment rate among Roma is 11.7 percent, roughly twice as high as the national average. It is high, but not extremely high by the standards of transition economies. After all in many European countries the unemployment rate hovers around 10 percent but at the same time the employment/population ratio is much higher than that among Czech Roma. It is the labor force participation rate which is much lower among Roma than the national average. Only 44 percent of working age Roma participate in the labor force compared with 70 percent across the Czech population. Thus many Roma are detached from the labor market. The main policy issue to be addressed is thus discouragement and inactivity, rather than ineffective job search.

2.11 The low employment rate among Roma is largely accounted for by labor market detachment of prime-age women. The labor force participation rate by Czech Roma women is half that of Czech women overall: 31 against 62 percent (Table 9). This is likely to reflect cultural factors (the role of women in Roma society) and 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 very low, with only 36 percent of Roma children in households with children in pre-school age going to kindergarten or zero classes⁴⁷. 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 education⁴⁸.

2.12 But prime-age Roma men are also much less likely to be economically active than their Czech counterparts. 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. Still, this chapter will show below that skills play an important part in accounting for Roma poor labor market outcomes among Roma in marginalized localities.

2.13 In sharp contrast to prime-age workers, Roma youth and older workers are more, not less, economically active than young and older Czech workers overall. For

⁴⁶ 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.

⁴⁷ Close to 90 percent of those going to kindergarten or zero classes report going to formal, rather than informal kindergartens.

⁴⁸ European Commission (2008)

illustration, 42 percent of Roma youth (aged 15-24) are part of the labor force, compared with the national average of 32 percent (Table 9). 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 their ethnic Czech counterparts many (if not most) older Roma lack pension insurance and thus have an incentive to seek employment.

2.14 The high labor force participation rates of young and older Roma go hand in hand with high unemployment rates. The Roma youth unemployment rate approaches 25 percent and is more than twice as high as the national average. The unemployment rate among older Roma is 15 percent and is three times higher than the national average. Whereas it is usual that youth unemployment rates are double the average, the high unemployment rate among older workers is rare. It is consistent with the earlier conjecture that older Roma workers cannot afford to retire because of the lack of pension insurance and thus are compelled to look for jobs.

Table 9 Indicators of labor market outcomes: Roma^{a)} 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
Gender						
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
Age						
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.

2.15 Despite unsatisfactory labor market outcomes, high economic activity pays off for Roma workers. Although they face a high unemployment rate, Roma youth are more often employed than Czech youth overall (employment/population ratios are 32 and 29 percent, respectively). And older Roma workers are almost as likely to be employed as Czech older workers overall (42 and 46 percent, respectively). In contrast, despite the relatively low unemployment rate, prime age Roma are much less likely to be employed than the prime-age Czech population overall due to economic inactivity. This suggests that well designed activation policies may bear fruit and improve Roma employment prospects.

2.16 Given inactivity and discouragement, the standard unemployment rate is a poor measure of Roma labor market outcomes. Augmenting the unemployment rate by the discouraged shows that 46 percent of Roma are without a job but available. The relatively low unemployment rate masks the fact that few jobless people are actively looking for jobs. And the main reason for this is discouragement, i.e. the belief that no jobs are available and thus job search is pointless. To address this shortcoming one should use the so called “augmented” unemployment rate, which accounts for the discouraged worker effect.⁴⁹ By this measure unemployment among working age Czech Roma reaches 46 percent (37 percent for men and 57 percent for women). It is almost 4 times as high as the standard unemployment rate, indicating that there is a huge pool of available Roma workers who are without a job.

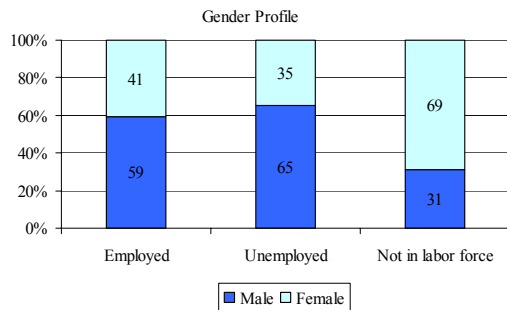
ROMA EMPLOYED, UNEMPLOYED AND INACTIVE: HOW DO THEY DIFFER?

2.17 Skills are the key characteristic that distinguishes the employed from the unemployed and from those out of the labor force (inactive). The better the skills the stronger the attachment to the labor market. The employed have higher skills than the unemployed, who in turn tend to have higher skills than the inactive. Figure 15 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 15, Panel A). The employed are more often prime age workers whereas the unemployed and the inactive are more often younger persons.

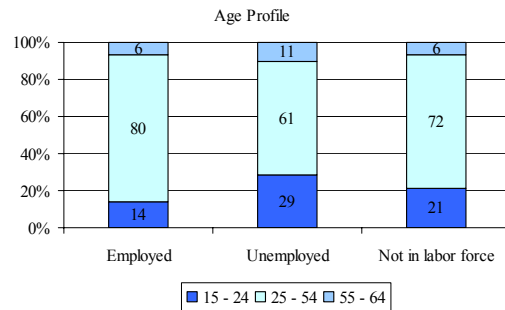
⁴⁹ The augmented unemployment rate shows the percentage of the total pool of available workers who are without a job

Figure 15 The employed, the unemployed and the inactive differ along many dimensions

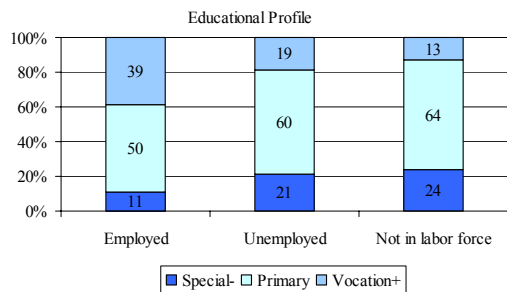
Panel A



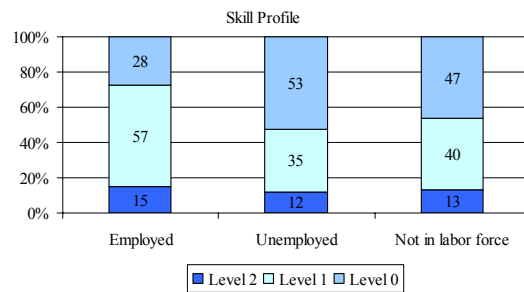
Panel B



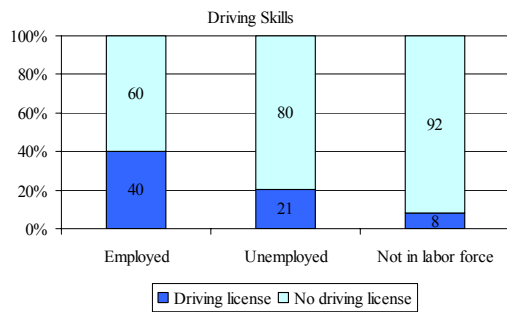
Panel C



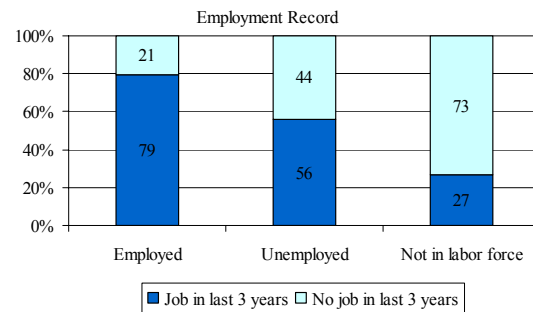
Panel D



Panel E



Panel F



Note: The unemployed include casually employed.

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

2.18 **There is a notable difference among the employed, the unemployed and the inactive with respect to educational attainment.** The employed are better educated than the unemployed, who in turn are better educated than the inactive. For illustration, the employed have post-primary education (largely basic vocational training) twice as often as the unemployed, and three times as often as the inactive (Figure 15, Panel C). Simultaneously, the employed are roughly half as likely to have less than primary education (including special education) as the unemployed and the inactive. Hence,

stronger attachment to the labor market goes hand in hand with better educational attainment.

2.19 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 15, Panel D).⁵⁰ Accordingly, while functional illiteracy is widespread among the unemployed and the inactive, it is relatively rare among the employed.

2.20 The marked skill gap between the employed and the unemployed and the inactive is also notable when looking at everyday skills. For example, the employed Roma are twice more likely to have a driving license than the unemployed. The unemployed in turn are 2.5 times more likely to have a driving license than the inactive (Figure 15, Panel E). A similar pattern emerges when examining other activities requiring skills, such as using the internet or reading newspapers. Roma with those skills are found much more frequently among the employed than among the unemployed and all the more so than among the inactive. The greater the actual distance from the labor market, the lower the skills.

2.21 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). Such a clearly marked pattern of path dependence poses considerable policy challenge of taking people out of the joblessness trap and bringing them to the labor market.

Skills and Roma Labor Market Outcomes

2.22 Vocational training greatly increases Roma employment chances. At the same time, special education condemns Roma to unemployment. Among the Roma who received vocational training 50 percent are employed. This is more than double compared to those who received primary education and over three times more than among those who received special education or less (Table 10). 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

⁵⁰ Based on the results of the skills assessment, which was part of the Roma Labor Force Survey, (see Annex 1)

implications. Better education and the provision of vocational skills is key to improving Roma labor market outcomes.

Table 10 Basic vocational training significantly raises the chance of employment, labor force status by educational attainment, 2008

Labor force status	Special or less	Primary	Basic vocational training ^{a)}
	<i>Percent</i>		
Employed	15.2	22.6	50.3
Unemployed ^{b)}	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.

2.23 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 11). Literacy and numeracy skills (levels 1 and 2) increase the probability of employment by a factor of two.⁵¹ 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 11 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 ^{a)}	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.

2.24 Everyday skills are also a good predictor of Roma labor market outcomes. Having a driving license almost triples the chance of employment (Table 18). Similarly, those Roma who use internet or are reading newspapers are significantly more likely to be employed than those who do not.

⁵¹ 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.

Table 12 **Everyday skills raise employment chances**
Labor force status by everyday skills, 2008

Skill indicators	Employed	Unemployed ^{a)}	Not in labor force
	<i>Percent</i>		
Driving license			
Yes	57.5	19.0	23.6
No	19.8	17.0	63.2
Using internet			
Yes	34.1	13.8	52.1
No	24.0	18.7	57.4
Reading newspapers			
Yes	29.6	17.2	53.2
No	20.3	16.9	62.8

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

a) Including casually employed

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

2.25 **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.

Profile of employed Roma

2.26 **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 (nearly 5 percent of all employed Roma), others as operators, attendants and shop assistants.

2.27 **The majority of Roma work in the formal sector.** About 30 percent of Roma workers do not have written employment contract. But still – contrary to prior expectations – formal employment seems to be the norm rather than the exception (provided that having a written employment contract is a valid indicator of the extent of formal employment).

2.28 **Few Roma run their own business or are self-employed; the vast majority are wage workers.** Specifically, the self-employed/business owners account for less than 8 percent of total Roma employment. Wage workers are roughly equally split between those who have long-term jobs and those with only temporary jobs.

2.29 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 (see the next section). Being not able to commute, many Roma have access only to a small, strictly local job market, which naturally limits their job chances.

2.30 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. This is a very high proportion; in OECD countries the share of new hires (i.e. workers with tenure less than one year) rarely exceeds 20 percent⁵². 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). This is consistent with the earlier observed inequality in labor market outcomes among Roma workers. It seems there is a dual market for Roma labor. While some Roma have better, more secure jobs others have only casual, precarious jobs.

2.31 Underemployment does not seem to be a major problem in Roma community. Few Roma have less than full-time jobs, and it may be the case that some of them prefer to work part-time.⁵³ On average Roma work 41 hours per week. Only 17 percent work no more than 30 hours per week, which usually provides the upper bound estimate of the extent of underemployment.

2.32 Roma earnings are very low. The average Roma worker earns some 40 percent of the national wage (Table 13).⁵⁴ Those who have regular jobs earn somewhat more, but still only about half the national average. Put differently, the average Roma worker earns only slightly more than the minimum wage, whereas the regular workers earn about 35 percent above the minimum wage. Even the top paid Roma workers earn less than the national average. The earnings of top decile regular Roma workers account for only 75 percent of the national average wage. On the other extreme, the earnings of the bottom decile regular worker account for about 20 percent of the national average, which is less than 60 percent of the minimum wage. Hence, virtually all Roma workers in excluded

⁵² OECD (1997)

⁵³ The incidence of part-time employment is an indicator of underemployment only if part-time work does not reflect voluntary choices of workers. Unfortunately, it was not possible to test whether those Roma who hold part-time jobs do this voluntarily or not. Nonetheless, given the relatively low incidence of part-time employment the conclusion is valid that it is unemployment and inactivity rather than underemployment that are the main issue in the Roma community.

⁵⁴ The ratio of Roma earnings to national average (minimum) wage is most probably underestimated. First, the national average (minimum) wage is the gross wage, while survey respondents reported the take-home pay (net wage), which is lower than the gross wage. Second, self-reported earnings tend to be lower than the official earnings (wage) data coming from the employer based survey. Third, some surveyed workers did not work full-month full-time in the reporting month, thus their earnings cannot be compared with the average monthly wage of a full-time worker.

communities occupy the bottom end of the earnings distribution, and the incidence of low-pay is extremely high.⁵⁵

Table 13 Earnings of Roma workers are very low, 2008

	As % of national average ^{a)}		As % of minimum wage ^{b)}	
	All workers	Regular workers	All workers	Regular workers
	<i>Percent</i>			
Average (mean)	39.2	46.6	113.8	135.0
Top decile	67.2	75.4	195.0	218.8
Median	34.5	40.9	100.0	118.8
Bottom decile	8.6	19.4	25.0	56.3

a) Average gross monthly wage for the 1st quarter of 2008 (koruna 23,235)

b) Minimum wage (gross) of koruna 8,000.

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

2.33 Moreover, there is very high inequality in earnings among Roma. The top decile worker earns 7.8 times more than the bottom decile worker (Table 14). Among regular workers earnings dispersion is smaller but still substantial. The top decile regular worker earns 3.9 times more than the bottom decile regular worker. For comparison, the top decile Czech worker earns only 3 times more than the bottom decile worker. The average for the OECD countries is 3.4. Thus earnings dispersion among Roma is high also by international standards. This is surprising, given that Roma residing in marginalized localities are often considered a homogenous community. But it is consistent with the duality hypothesis advanced earlier: some Roma fare much better on the labor market than others.

Table 14 Earnings inequality of Roma is wide
Summary of Roma earnings distribution, 2008

Measures of earnings dispersion	All workers	Regular workers	National average ^{a)}
Top decile/bottom decile	7.80	3.89	3.01
Top decile/median	1.95	1.84	1.77
Bottom decile median as share of median wage	0.25	0.47	0.59

a) 2005

Source: Roma Labor Force Survey 2008, OECD (2007) for the Czech Republic; Bank staff calculations.

2.34 High earnings inequality among Roma is driven primarily by the extremely low wages of workers at the bottom of the wage distribution. The bottom decile *regular* Roma worker earns less than 50 percent of the median wage, which is beyond the OECD Europe range (Table 14).⁵⁶ For comparison, Czech workers overall earn close to 60 percent of the median wage. This represents a considerable difference in the relative

⁵⁵ Low-pay is conventionally defined as wages below two-thirds of the average wage.

⁵⁶ In the US, where the earnings dispersion is the largest among the OECD countries, the bottom decile worker earns 48 percent of the median wage.

earnings position of the low-paid Roma and ethnic Czech workers. Moreover, the distance between the low-paid Roma and the median Roma is very large. The distance becomes larger still when looking at all workers, including those who have casual jobs. Then the earnings of the bottom decile worker account for only one-fourth of the earnings of the median worker. This points toward an important policy issue. There is a group of Roma who are employed but earn extremely little and well below the minimum wage. Most of them have casual jobs. For this group employment is hardly a way out of poverty.

Profile of Roma jobseekers

2.35 Most of the unemployed Roma became unemployed because they lost their previous jobs. The main causes were business closure (27 percent of all unemployed) and redundancy (25 percent). In addition, many became unemployed due to the termination of the temporary job. Only 11 percent quit their job voluntarily. This structure is consistent with the earlier result showing a high turnover market for Roma labor, and a high proportion of short-term jobs.

2.36 Long-term unemployment looms large in the Roma community. Close to 50 percent of Roma have been jobless for over a year.⁵⁷ The proportion is still higher – 65 percent – when taking into account the discouraged workers. Thus it appears that many Roma workers manage to get a temporary job, but once the job is finished, they experience long spells of unemployment before finding another job. At the same time, nearly 40 percent of Roma workers are unemployed for less than 6 months which points to high inflows into unemployment, and is consistent with the notion of a high turnover labor market.

2.37 In looking for jobs Roma rely heavily on the Labor Offices. Nearly two-thirds of the unemployed reported that they use services provided by the Labor Office. This is noteworthy, because international experience shows that public employment services are seldom used as a main channel for job search. This result suggests that the unemployed from excluded communities, such as Roma, use public employment services more often than the unemployed at large. The second most popular job search method is using the network of friends and relatives (46 percent). International experience indicates that this is the primary job search method for the unemployed at large. The fact that Roma use this method relatively less frequently may indicate that they have less social capital they can rely on when looking for jobs. The third most important job search method is to directly contact employers, which is used by over 40 percent of Roma jobseekers. 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.

2.38 What kind of jobs are Roma looking for? There is a common perception that Roma are predominantly interested in short term jobs. However, it is not borne out by

⁵⁷ The sample of the unemployed is very small which renders the estimates reported here subject to a wide margin of error.

the evidence. A vast majority (nearly 75 percent) say that they prefer regular long-term jobs. Only about 7 percent say they would like to have a short-term job and less than 4 percent would like to run their own business. But a non-negligible fraction – around 10 percent – would like to work part-time.

2.39 Wage expectations of the unemployed Roma do not seem excessive. Indeed, the consistency between the reservation wages (wage expectation) and actual wages is striking.⁵⁸ The reservation wage of the average unemployed Roma is virtually the same as the actual wage earned by the average Roma worker (Table 15). This indicates that the Roma unemployed have adequate information and correctly perceive labor market conditions.⁵⁹ One exception is the least productive Roma unemployed (bottom decile of the reservation wage distribution), who have the lowest reservation wages, but still apparently higher than the market wage rate for low-skilled Roma workers (bottom decile of the actual wage distribution). Interestingly, the top decile reservation wages are lower than top decile actual wages. This may mean that the unemployed with the highest reservation wages recognize that they have lower skills than the most productive employed workers.

Table 15 Wage expectations of Roma are close to actually paid wages in the labor market

Ratio of the reservation wage of the unemployed^{a)} to actual wages of regular Roma workers by decile

	Reservation wage/Actual wage
	<i>Percent</i>
Average (mean)	99.5
Top decile	85.7
Median	105.3
Bottom decile	133.3

a) Unemployed include casually employed and discouraged workers.

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

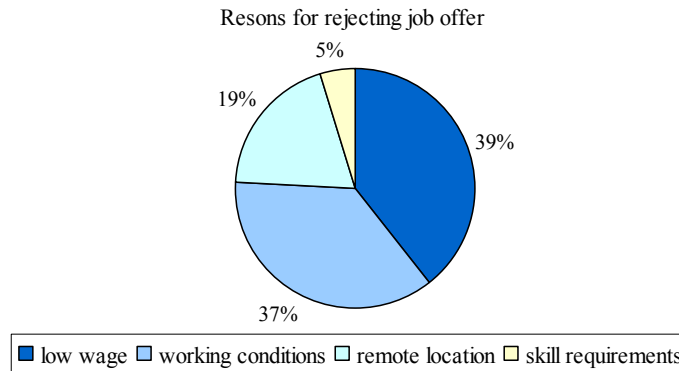
2.40 Although wage expectations of Roma workers are moderate, they reject jobs that pay too little. One Roma worker in five rejected a job offer in the last three years.⁶⁰ A low wage offered was the most important reason along with poor working conditions (Figure 16). However, a remote job location is an important reason for turning down a job, too. As many as 20 percent of those who rejected a job offer did so because the job was too far away or too costly to get to. Thus, as already mentioned, the need to commute is likely to be an important barrier to Roma employment due to lack of affordable transportation.

⁵⁸ The reservation wage is the lowest wage offer that the unemployed is going to accept.

⁵⁹ This is under the assumption, that the unemployed have similar skills and other relevant characteristics as the employed. In reality, as demonstrated earlier, the unemployed have on average lower skills than the employed and thus their wage expectations may be to some extent excessive, especially at the bottom of the skill distribution.

⁶⁰ The term “workers” refers to members of the labor force, i.e. the employed and the unemployed.

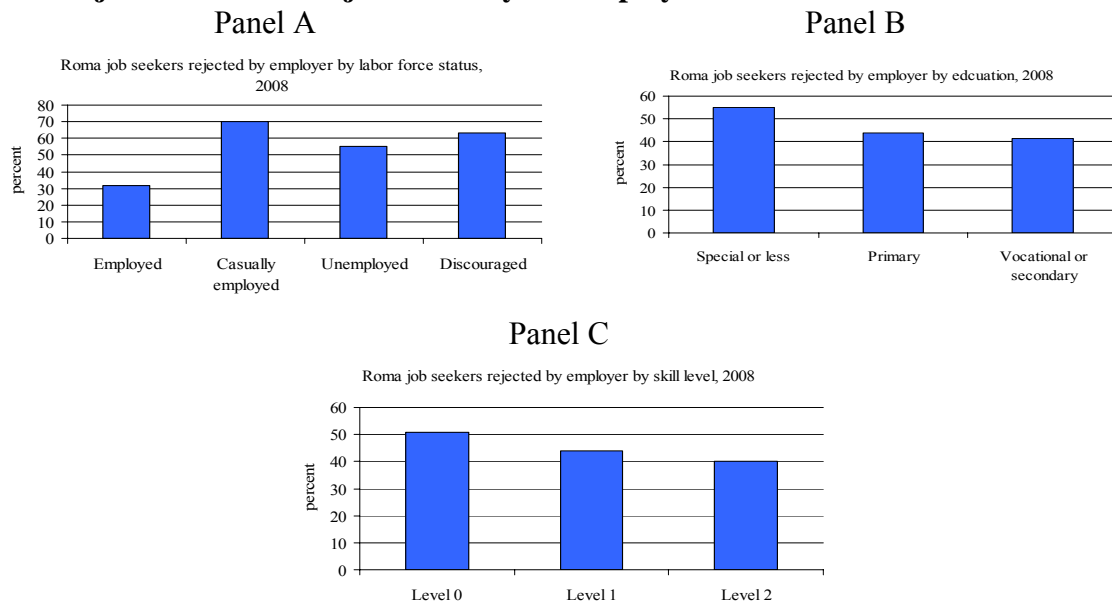
Figure 16 **Roma turned down job offers because of low wages and poor working conditions**



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

2.41 **Roma jobseekers are often rejected by employers, yet less so if they have more skills and a previous employment record.** As many as 64 percent of the unemployed, casually employed and discouraged workers were rejected by the employer when applying for a job. Compared to that, only 31 percent of the employed Roma experienced a rejection by the employer (Figure 17 Panel A). Thus, twice more unemployed Roma were rejected by the employer than employed Roma. The experience of the unemployed Roma is apparently quite different from that of the employed.

Figure 17 **Labor market experience, better education and higher skills lessen the risk of the rejection of a Roma jobseeker by the employer**



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

2.42 **Better education and higher skills lower the risk of the rejection by the employer, too.** 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

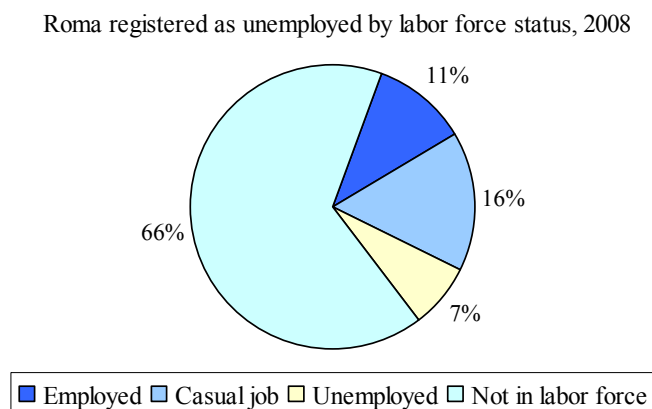
(Figure 17, Panel B). A similar pattern emerges when looking at the role of skills. Roma workers with higher skills are much less likely to be rejected by the employers than those with lower skills (Figure 17, Panel C). Hence, whether or not a Roma worker is rejected by the employer is largely determined by the skill level as well as labor market experience.

2.43 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.

THE INTERACTIONS OF ROMA WITH LABOR AND WELFARE OFFICES

2.44 Strikingly, the majority of Roma registered with Labor Office are not actively looking for jobs. This suggests that many of them may register for purposes other than finding employment. Figure 18 shows that out of three Roma registered with Labor Office two were economically inactive, i.e. not looking for jobs. It is also noteworthy that one in ten Roma registered with Labor Office already had a regular job. 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 tailored to the different needs of different Roma groups. Apparently, those who are actively looking for jobs need different services than those who are inactive. In the former case, it is job search assistance, vocational counseling or training that are the most effective forms of support. In the latter case activation and from “welfare to work” policies are more adequate.

Figure 18 The majority of Roma registered with Labor Office are not actively looking for jobs

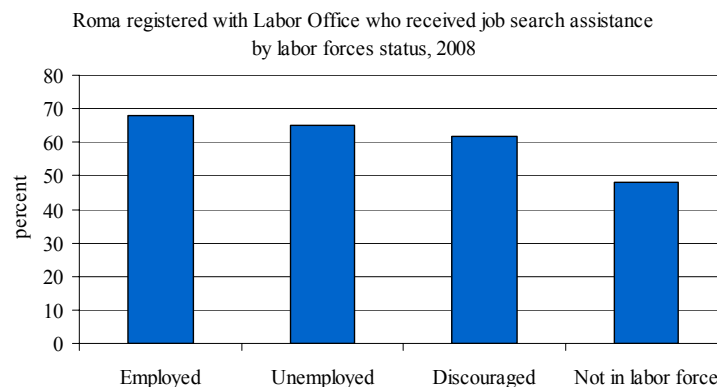


Source: Roma Labor Force Survey 2008; Bank staff calculations.

2.45 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 19). 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.

2.46 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.⁶¹ 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 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 indeed 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 Labor Office is not tailored to Roma needs. Indeed, expert interviews conducted for the purposes of this study 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 participate⁶².

Figure 19 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.

⁶¹ Training courses are organized mostly by Labor Offices themselves; only 12 percent of trainees participated in courses organized by private training providers or NGOs.

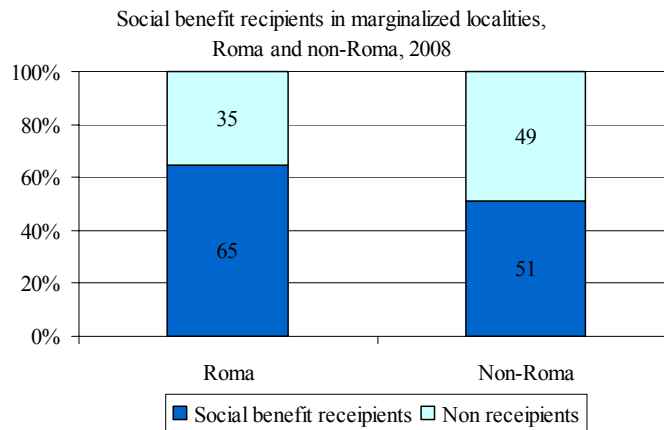
⁶² Uherek et al (2008)

2.47 **Training provided by the Labor Office is not particularly effective in improving Roma employment chances.** 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. However, proper interpretation requires a comparison with the job placement rate of non-Roma workers. Still, there seems to be much room to better tailor training to Roma needs and thus to improve the success rate.

2.48 **Training is the main program used by Labor Offices to promote Roma employment.** Only six percent of registered Roma were covered by active labor market programs other than training. In this context the low success rate of training courses provided to Roma should be of particular concern.

2.49 **Roma receive social benefits more frequently than non-Roma in excluded communities.** Figure 20 shows that social benefits are received by 65 percent of Roma and “only” by 50 percent of non-Roma. The difference is significant and suggests that Roma face greater barriers of exclusion and greater welfare dependency than their non-Roma neighbors residing in the same marginalized locality. This may also be driven by differing socio-demographic characteristics which are not analyzed here.

Figure 20 **Roma receive social benefits more often than non-Roma in excluded communities**

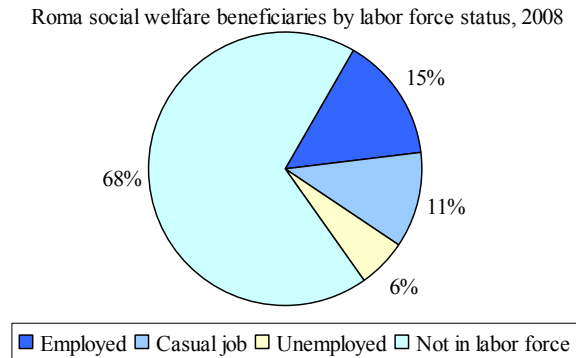


Source: Roma Labor Force Survey 2008; Bank staff calculations. Note: Shares express social benefit recipients as a percentage of all adults of working age residing in marginalized localities.

2.50 **Social welfare benefits are relatively well targeted at those who are without a job and thus do not have a source of earnings.** As Figure 21 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 21 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.

2.51 Welfare benefits received by Roma are relatively high, aggravating the risk of an inactivity trap. The average benefit accounts for close to 90 percent of the minimum wage, and the median benefit accounts for 75 percent (Table 16). Given that the 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, once 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 16 Social welfare benefits received by Roma are high relative to the minimum wage

Summary of the distribution of benefits awarded to Roma, 2008

	Benefit amount
	<i>As a percentage of minimum wage^{a)}</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.

2.52 Heavy indebtedness is another barrier to formal employment. One Roma in two is indebted, and the debt amount tends to be large. On average, indebted Roma owe 9.3 times the minimum wage to the lending institution (see Table 17). 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. Under such circumstances, informal employment is a coping strategy meant to protect one's earnings. One possible way of removing disincentives for formal employment resulting from indebtedness is to put in place the institution of personal bankruptcy. In addition, Social Welfare Offices should be more active in providing counseling to Roma families, including on debt management issues. Currently they are not: Only 14 percent of Roma welfare clients reported that they had received counseling in the last year.

Table 17 Roma face widespread and often high debt
Summary of the distribution of debt owed by Roma,
2008

	Debt amount
	<i>As a multiple of minimum wage^{a)}</i>
Average	9.3
Top decile	18.8
Median	2.5
Bottom decile	0.5

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.

CONCLUSIONS

2.53 The majority of Roma in excluded communities fare poorly in the labor market, and the key issue is inactivity and discouragement. Many working age Roma are out of the labor force, because they believe there are not jobs available for them and therefore they have given up job search. Relatively few of the jobless are actively looking for jobs. Therefore, according to the standard definition, unemployment is relatively low. It is inactivity that looms large. The key findings are the following:

- *There is great variation in employment outcomes among Roma:* Although excluded communities seem relatively homogenous in terms of socio-economic characteristics (such as education and skills), some Roma fare much better in the labor market than others, with regular jobs and relatively high earnings. One important factor that greatly improves Roma labor market prospects is vocational education and better literacy and numeracy skills. Better educated and higher skilled Roma are much more likely to be employed than the less educated and skilled ones.
- *The majority of Roma have little formal education and lack basic skills, including literacy and numeracy,* and they prevail among the economically inactive and the unemployed. Thus a lack of adequate education and skills seems to be the root cause of poor labor market outcomes of most Roma.
- *There are constraints to labor mobility.* Most Roma do not have access to a wider labor market because of lack of affordable transportation. For this reasons they are bound to take jobs located in the close neighbourhood. This

obviously limits their employment chances. How important is labor mobility for Roma employment is an important issue that merits further research.

- *Welfare dependence and the inactivity trap discourage employment and push Roma into inactivity or into informal employment.* Most Roma of working age claim social welfare benefits, which creates a severe labor supply disincentive because benefits are high relative to Roma potential earnings (which are low). Taking low-paid formal job and in consequence losing welfare benefit does not pay-off.
- *Heavy indebtedness is a key barrier to formal employment.* Many Roma accumulated large debt and thus have a strong disincentive to reveal their actual earnings. This pushes them into informal employment and temporary, precarious jobs offering no social insurance.
- *In looking for work Roma rely primarily on services provided by the Labor Office.* Most do receive job search assistance, although a large proportion of those registered is not looking actively for jobs. Roma often are offered participation in training courses; however the effectiveness of this policy in improving Roma employment prospects is limited. Many Roma refuse to participate, relatively few complete training, and a minority find jobs afterwards. This is likely to be a significant contributor to widespread discouragement.