

## EXECUTIVE SUMMARY

**Roma living in marginalized communities in the Czech Republic have not benefited from the buoyant labor market and are facing continued severe and multiple forms of labor market exclusion.** While the magnitude of the challenge of overcoming social exclusion among Roma is well appreciated in the Czech Republic, there is less clarity about the extent of labor market exclusion of Roma, the exact nature of barriers to employment and solutions to improve their employment chances.

### Key findings

**Prepared jointly by the Government of the Czech Republic and the World Bank, this study reviews results of a special labor force survey conducted in marginalized localities where many Roma reside.** It offers a fresh picture of the depth and extent of labor market barriers facing Roma – not *all* Roma in the Czech Republic, but those residing in known marginalized localities. Moreover, it reviews the extent of labor demand for low skill occupations across the Czech Republic and assesses employment incentives resulting from the social welfare system as well as the readiness of the Czech Labor Office to provide effective support to disadvantaged job-seekers such as Roma. The study arrives at the following, key findings:

- *The majority of working age Roma residing in marginalized localities are not unemployed but are out of the labor force.* The main reason for this is discouragement: Many jobless Roma have largely given up looking for jobs. There is also a strong gender dimension, with Roma women participating substantially less than men.
- *The level of education attainment and skills acquired is a key predictor of labor market success of Roma.* Those with post-primary, mainly vocational, education fare substantially better in the labor market than those with only primary or even special schooling. However, even those Roma that are employed often work in short-term jobs and with very low wages, with even the top paid Roma workers earning less than the national average wage.
- *Roma in marginalized localities suffer from severely low educational attainment and a widespread lack of functional literacy.* Early school leaving looms large: 60 percent have only primary education and 14 percent attended special school for children with learning disabilities. As a result, more than 40 percent have been found functionally illiterate, with another 40 percent having only limited literacy and numeracy skills.

- *There is no upward educational mobility between generations, if anything the level of educational attainment among Roma appears to have been worsening since the start of the transition.* There is evidence that only a minority of children with parents with primary education have received post-primary education. Moreover, more than half of children with parents with post-primary education only received primary education.
- *The demand for low or unskilled labor is very low across the Czech Republic, especially in regions with many marginalized localities, and Roma often compete with foreign workers.* The only exception is Prague, yet few Roma workers have the resources to commute to work there. This suggests that unless their skills constraints are addressed, employment chances for Roma will remain limited and likely worsen over time.
- *Widespread indebtedness of Roma households in marginalized localities acts as a barrier to formal employment.* Once formally employed, a sizable share of their wage will be subject to debt collection, making informal employment and welfare receipt a more obvious coping strategy. Participation in the labor market of affected individuals will remain low unless they receive support in overcoming indebtedness. It should be considered part of social and employment activation services.
- *Many Roma rely on social welfare benefits whose levels have until recently been high relative to wages for low and unskilled occupations, acting as a barrier to labor market participation.* This is a particularly binding barrier in low wage regions of the Czech Republic where demand for low-skilled workers is low and where many socially excluded Roma reside.
- *While many unemployed Roma are turning to the Labor Offices for support in their job search, there is a substantial fraction who does not receive support* such as job search assistance or retraining. Moreover, there is evidence that few of those who participate in training programs actually complete them and that few of those who complete them find employment afterwards.

## **Policy directions**

**Labor market exclusion of the Roma in the Czech Republic has been driven by unsatisfactory educational outcomes due to enrollment in special schools for children with learning disabilities as well as early school leaving, condemning many Roma to joblessness and reliance on relatively generous social welfare benefits.**

Overcoming this legacy will require a two-pronged approach: (i) developing effective employment activation policies for jobless Roma adults, in particular with a focus on skills upgrading and second-chance education, and (ii) effective preventive measures for Roma youth to promote access to and retention in quality education and reduce early school leaving.

**First, a successful strategy to tackle current joblessness among the Roma in the Czech Republic suggests the need for a new *employment activation* approach, focusing more attention of the Labor Offices on disadvantaged job-seekers.**

Experience from across the OECD and the EU suggests that this should involve a mutual balance in obligations between the job-seeker and the Labor Office, with raised job search incentives for the job-seeker on the one hand and enhanced capacities of the Labor Office to effectively support disadvantaged job-seekers on the other. In a first step, the Government of the Czech Republic has already introduced measures to reduce benefits and tighten conditions for inactive long-term unemployed so as to raise job search incentives. However, this study argues that, 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 to enhance their employment chances. In addition it requires support by the Labor Office, delivered in a culturally sensitive and trustful manner either directly or through contracted qualified service providers such as NGOs, with individualized activation services addressing the multiple barriers to employment. The study finds that further reforms in the structure and policies of the Czech Labor Office are necessary to raise its capacity to provide effective support to long-term unemployed and disadvantaged job-seekers such as Roma.

**Second, subsidized employment with skills upgrading and second-chance education programs will be key to enhance employment chances for Roma.**

Given the dramatically low levels of skills among many Roma in marginalized communities and low demand for elementary occupations, subsidized public works and community employment will likely remain an important activation tool – but requires inbuilt systematic skills upgrading. Moreover, closing the skills gap will also require enhanced second-chance education interventions as part of activation policy to raise literacy and numeracy skills.

**Third, preventing future joblessness will require a focus on children and youth and prevention of future labor market and social exclusion, and the time to act is now.**

A sizable share of the Roma population in marginalized localities is below the age of 25. Urgent efforts need to be taken to overcome disadvantage resulting from low quality schooling and early drop out. This involves interventions from early childhood through primary education towards extending years of schooling for Roma children and youth.

**Implementing a new approach to improving employment chances for the Roma would best build on pilot testing, evaluating and scaling up new tools and methods**

to ensure good use of tax payers' money and enhance the effectiveness of measures in improving employment chances. The availability of funding from the European Union through the Operational Program Human Resources Development allows the Labor Office to run pilot projects to test new tools and solutions and evaluate them carefully before making them element of formal policy. Moreover, the recently launched Social Inclusion Agency, set up to pilot new localized social inclusion approaches and partnerships, is a unique opportunity to test, evaluate and scale up innovative solutions.