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ROMA INCLUSION IN CENTRAL AND EASTERN EUROPE

World Bank Policy Note focusing on Bulgaria, Czech Republic, Romania, and Serbia presented at International Steering Committee of Decade of Roma Inclusion

On September 30, 2010, in Prague at the [19th International Steering Committee Meeting](#) of the [Decade of Roma Inclusion](#) organized under the Czech Decade Presidency, the World Bank presented a Policy Note: *Roma Inclusion: An Economic Opportunity for Bulgaria, Czech Republic, Romania, and Serbia*.

The Note forms part of an ongoing and long-term work program, under which the World Bank addresses Roma issues in the context of its work on poverty and economic development in the Europe and Central Asia region, sharing knowledge, results, and lessons across countries to assist governments in labor market integration of Roma. The Roma Inclusion Policy Note builds on the [preliminary findings](#) that the World Bank presented at the [Second European Roma Summit](#) held in Córdoba, Spain in April 2010.

The Note provides illustrations of the economic benefits of eliminating the productivity gap between Roma and majority populations in Bulgaria, Czech Republic, Romania, and Serbia. These four countries represent more than two-thirds of Roma in Central and Eastern Europe. Working on reducing the education and employment gaps now will help these economies realize benefits over time.

The Note finds that closing the productivity gap for Roma in Central and Eastern Europe could potentially add as much as 9.9 billion Euros annually to the economies of these four countries in increased output and 3.5 billion Euros annually in fiscal benefits. For these four countries – Bulgaria, Czech Republic, Romania, and Serbia – bridging the gap in labor market opportunities and education would add up to 6 billion Euros to economic production, and some 2 billion Euros to government revenues of the four countries every year.

The *Roma Inclusion* Note's analysis is based on quantitative data from seven household surveys in Bulgaria, Czech Republic, Romania, and Serbia, and information from interviews with 222 stakeholders – government and non-government officials and Roma and non-Roma.

Roma Inclusion

The Roma are Europe's largest and poorest minority group as well as one of its fastest growing populations, with approximately 70 percent of Roma living in the states of Central and Eastern Europe. Most are now EU citizens, and they already form a relatively large proportion of youth and of the potential labor force in these countries. Up to 1 in 5 of potential labor market entrants in Bulgaria and Romania are Roma.

According to the Note, the current labor market integration of Roma in the countries studied is poor. Roma are much less likely to be working than non-Roma – across the four countries, the employment gap is approximately 26 percentage points – and Roma with jobs earn much less than non-Roma – the average wage gap is almost 50 percent across the four countries and is related to the lower educational attainment

of Roma. Closing the productivity gap for Roma in these countries would potentially increase output, reduce public spending on social assistance, and increase public revenues from income taxes.

The Note points out that the challenges posed by the very large gap in labor market outcomes are compounded by these countries' demographic trends. The majority populations of the four countries in the study are aging and will experience substantial increases in the proportion of elderly people (65+ years), compared with the much younger Roma populations. Increasingly, the fiscal burden will need to be carried by young Roma men and women who are reaching working age at (relative) rates that are 2 to 3 times higher than young people from the majority populations, thus increasing the share of Roma among the working age population.

For example, already as many as 1 in 8 in Serbia and 1 in 5 in Bulgaria and Romania of potential new labor market entrants are Roma. These figures will only increase if demographic trends persist in these countries. According to the Note, this underscores the need to close the labor market gap – unless Roma employment and wage rates substantially improve, Eastern and Central European governments will find it increasingly difficult to carry the rising fiscal burden in terms of pensions, health care, and other costs that come with an aging population.

Estimates based on official statistics of Roma populations put the economic benefits across Central and Eastern Europe at 3.4 billion Euros annually, and 1.2 billion Euros annually for the direct fiscal benefits. Using the higher Council of Europe Roma population estimates, these direct gains are 9.9 billion Euros in terms of annual economic gains and 3.5 billion Euros in terms of annual fiscal gains.

Roma want to contribute and have the potential to do so

The Policy Note finds that Roma want to work but cannot find jobs in the countries studied. Often, public perception holds that Roma do not want to work and are overwhelmingly dependent on social assistance programs, such as guaranteed minimum income. But, according to the Note, among males, while many do not have work, their labor force participation rates are higher than those of non-Roma in 3 out of 4 countries; in other words, Roma are willing to work, but cannot find jobs. In fact, for women, 39 percent looking for jobs remain unemployed, and for men 20 percent looking for jobs remain unemployed.

The Note also finds that, contrary to common perceptions, the vast majority of Roma do not depend on social assistance in the four countries studied. While some Roma do receive guaranteed minimum income social assistance, as would be expected given the high levels of poverty, the vast majority does not. The perception that is consistent with the facts is that the vast majority of Roma have much lower levels of education than non-Roma.

According to the Note, the poor labor market outcomes in the four countries studied are not surprising when considering the very large education gap between Roma and non-Roma, especially among women. Primary education completion may be on the rise, but secondary completion continues to lag behind. The vast majority of Roma do not have a secondary education or higher in the four countries studied. Less than 1 in 5 working age Roma has completed secondary education compared with more than three-quarters of non-Roma, thus making it much more difficult to find employment that is reasonably paid.

The Note states that reducing the productivity gap will require investments in education, among other things, but the government revenues generated by the higher productivity – in terms of lower social assistance, but especially in terms of higher income tax revenues – far outweigh the investments needed to close the education gap between Roma and non-Roma in Eastern Europe. Investments needed to close the education gap would only be approximately 30 percent of the potential fiscal benefits from such investments across the four countries.

ANNEX: *Knowledge about what works for Roma integration*

There are many policies that can help Roma labor market integration in Central and Eastern Europe, both in the short- and in the long-run: (a) improving outcomes of the current working-age population through employment activation; (b) improving secondary completion to give young Roma labor market entrants a better chance; and, (c) improving school readiness to ensure the next generation of Roma enter the labor market with the same skill set as non-Roma.

For example, international experience suggests that investments in early childhood education and improving school attendance and completion are the most promising interventions to break the intergenerational transmission of social exclusion. Improving school attendance and completion can be done through supply side interventions – such as explicit desegregation efforts, teacher training, and school grants – and demand side programs – such as Roma mediators and Conditional Cash Transfer (CCT) programs. An example of this type of supply side intervention is the new social service delivery program that the government of Serbia is carrying out in collaboration with the World Bank, in which municipalities can apply for grants to support schools and NGOs implement programs that improve school quality and support desegregation, while an example of a demand side program is a new CCT program by the government of the FYR Macedonia in collaboration with the World Bank, which will support poor households that are eligible for Social Financial Assistance with a financial top up if they have children of secondary school age and these children attend school at least 85 percent of the time.

Improving school readiness is essential to improve early childhood development outcomes, and to give young Roma children an equal starting point as they enter primary school. It also reduces the likelihood that they will enter special schools for slow learners.

The [Roma Education Fund \(REF\)](#), created by the World Bank and the Open Society Institute (OSI) in 2005 within the framework of the Roma Decade, aims to reduce the extraordinary education gap by supporting education programs and policies to ensure access to, and completion of, quality education for all Roma. In the last two years, the Czech Republic, Lithuania, and the Slovak Republic have targeted the low Roma education levels by starting early-childhood education and other preparatory programs. In June 2010, the EC DG Regio, with funding from the EU Parliament, launched an Early Childhood Education and Care (ECEC) pilot initiative that is being implemented by the Roma Education Fund in collaboration with local partners. And in Bulgaria, a World Bank-supported Social Inclusion project launched in July 2010 aims at increasing school readiness of children below the age of 7, targeting low-income and marginalized families, including Roma families.

While closing the education gap would focus on young Roma, the Note stresses that efforts should also be directed at improving labor market outcomes of working-age Roma through labor activation programs, such as skill building, targeted subsidized work attachments, job search assistance, and even child care. For example, the World Bank is currently collaborating with the National Employment Service in Serbia and the Serbia Statistical Office to evaluate the employment impact of a self-employment grants program started in 2008. This program targeted all unemployed regardless of ethnicity, although gave some preference to minority applicants like Roma.

Apart from national resources, the Policy Note emphasizes that EU structural funds are an important financing source for programs and projects that foster Roma inclusion. To achieve their most effective use, the Note argues that four areas are particularly important: (a) improving knowledge gathering on what specific programs and policies work best; (b) ensuring that information on effective programs is widely discussed, debated, and disseminated; (c) enhancing the program design, implementation, and monitoring capacity of (sub)national entities and civil society organizations; and, (d) strengthening Roma participation.

For more information on the World Bank's work on Roma, please visit:

www.worldbank.org/Roma

For more information on the World Bank's work in Europe & Central Asia, please visit:
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