

# Employing the Roma

## *Insights from Business*

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## Foreword

Roma are perhaps Europe's most vulnerable minority. They are too often the victims of multiple, interrelated drivers of poverty and social exclusion. Poverty and unemployment rates for Roma are many times above national averages, particularly in the new EU member states of Hungary, Slovakia and the Czech Republic.

The causes of the social exclusion faced by Roma are diverse and inter-linked. Weak Roma employment prospects reflect a vicious combination of low skills, prejudices and low education. For many Roma, the labour market was friendlier during communism than has been the case after its collapse. Before 1990, unskilled Roma labour was demanded by the heavy industries that are no longer present in the market economies that have appeared in the last 15 years. Finding sustainable employment opportunities for Roma and other vulnerable groups has become a major unfinished challenge of the transition that needs to be addressed in the new EU member states like Hungary, Slovakia and the Czech Republic. Growing numbers of Roma workers also represent an important opportunity for business communities in these countries, where populations are shrinking and labour forces are stagnant at best.

Today, economic development in Central Europe is driven by markets and private companies. It is the private sector, rather than the state, that is the largest employer and the source of employment growth. The promise of private enterprise and expanding labour markets must therefore be extended to Roma, and to other vulnerable communities.

How can this be done? The specifics of matching growing Roma labour forces (actual and potential) with private employers have too often been neglected. Issues of Roma employment were instead the domain of non-governmental organizations, academicians and social workers; businesses were not in the picture. UNDP has decided to break this tradition.

This publication is the outcome of this new thinking. It provides the business voice: instead of *telling* managers what they should do, this publication *listens* to what businesses suggest should be done in order to make employing Roma a profitable decision. The publication was also developed in partnership with the private sector: UNDP's Regional Bureau for Europe and the Commonwealth of Independent States commissioned Ernst & Young to conduct a baseline study on Roma unemployment from a business perspective.

UNDP's cooperation with the private sector on this issue is part of a broader effort to bring business closer to the heart of the global development agenda. Businesses are the creators of wealth, and the generators of income and employment. Development problems of inequality, poverty and exclusion cannot be solved if the private sector is not engaged. This is the philosophy of the Global Compact, the initiative of the UN Secretary General that calls on businesses to endorse and enact 10 universal principles in the areas of human rights, labour standards,

environmental protection, and anti-corruption, and to partner with the UN in support of the Millennium Development Goals.

This report is just one example of how the principles of the Global Compact can be applied to everyday reality. It shows how companies in countries with large Roma communities are creating opportunities in their workplaces for better employment prospects and socio-economic advancement for Roma. In this way, the report shows that Roma employment and hard-headed commercial thinking need not be mutually exclusive. The report also documents the key obstacles that businesses face when they seek to increase Roma employment, and suggests ways in which governments can provide support.

A handwritten signature in blue ink that reads "Ben Slay". The signature is fluid and cursive, with a long, sweeping underline.

Ben Slay

Director of the UNDP Bratislava Regional Centre

The analysis and policy recommendations of this report do not necessarily reflect the views of the UN Development Programme, its Executive Board or UN Member States. The report is an independent publication commissioned by UNDP.

# Executive summary

## **The challenge**

Volumes have been written about the plight of the Roma in Central and Eastern Europe (CEE). This minority group, the largest in Europe, suffers from higher levels of poverty, unemployment, ill-health, and illiteracy than any other in the region. Discrimination is widespread and pervasive. Police are regularly accused of Roma brutality and judges of unfair rulings. Roma NGOs and multilaterals frequently point to discrimination in access to education, employment, health care and housing.

To confront Roma marginalisation, Roma unemployment must be urgently tackled. In Slovakia Roma unemployment is estimated to be 64 per cent, Bulgaria 51 per cent, the Czech Republic 32 per cent, Hungary and Romania 25 per cent.<sup>1</sup> While the linkages between Roma communities' social and economic situation are complex and intertwined, no sustained improvement in living standards can be achieved without engaging Roma in the mainstream workforce.

## **The need to engage business**

Any long-term reintegration of Roma into the mainstream will require company leadership. Government initiatives to promote Roma entrepreneurs, Roma employment in public works programmes, or subsidies for companies to employ Roma are not always delivering the desired jobs, and are not necessarily delivering sustainable and quality employment for the majority of Roma people in CEE. Businesses - not governments - are the real drivers of employment, and it is business that has the potential to make a significant difference. For these reasons we consider business engagement for integration of Roma into the labour market complementary to governmental and civic society's initiatives.

*Any long-term reintegration of Roma into the mainstream will require company leadership*

## **Why business should be interested**

From the perspective of business, the issue becomes increasingly acute. There are five primary reasons businesses need to look seriously at the problem of Roma unemployment:

- **Waste and lost productivity** – Human capital is an essential input into the production process for all companies. Complacency amongst CEE companies about their competitive advantage vis-à-vis Western Europe has frequently rested on figures relating to relatively low wages and high labour productivity. Growing competition from East Asia, particularly China and India, is forcing companies to think more carefully about how they can compete in a globalized world. Within

<sup>1</sup> Data on Roma are notoriously poor, as official statistics do not always collect information by ethnic status and Roma often opt not to identify themselves due to fear of discrimination. UNDP's 2004 report "Avoiding the Dependency Trap: The Roma in Central and Eastern Europe" is perhaps the most comprehensive dataset available based on a survey of households in 2003. (The report and dataset is available on <http://roma.undp.sk>). UNDP completed a more comprehensive survey on the status of Roma, non-Roma living in close proximity to Roma, and refugees/internally displaced persons (IDPs) for 11 countries in Central and Southeastern Europe in October 2004. Datasets are available on <http://vulnerability.undp.sk> and a regional analysis is forthcoming.

this context, Roma unemployment represents a striking waste of human resources and productivity for companies.

- **Tight labour markets and rising wages** – By artificially constraining their pool of human resources, companies face a scarcer and, thus, more costly supply of labour. With wage inflation picking up in CEE, companies must increasingly worry about how they can maintain their competitive edge.
- **Constrained consumption** - Low incomes in Roma communities have direct knock-on effects for consumption and companies' sales. In a macroeconomic sense, the impacts are felt through lower aggregate demand, and lower economic growth. At a micro-level companies operating in or near Roma communities miss potential opportunities for developing new product lines or expanding turnover for existing goods and services.
- **Investment uncertainty** – Companies are not immune to rising social tensions, increased crime and violence associated with the existence of a large deprived segment of society. While for the moment these impacts are largely localized, without action to integrate Roma communities into mainstream society, the broader economic implications will mount. Likewise, effective integration of Roma communities would offer new investment opportunities in currently under-served parts of the region.
- **Reputational Risk** – When companies fail to comply with EU directives and neglect the interests of society, they face potential legal and social repercussions. And they run the risk of harming their reputations because of the negative publicity such behaviour attracts.

The above is not intended to imply that business must act alone. Government and civil society have roles to play. Business cannot, however, continue to turn the other way. Ultimately, it is in companies' interest that Roma unemployment and marginalisation is addressed effectively.

### ***This report***

Business leadership on Roma employment is currently absent. Dialogue on the challenges within the business community is rare, and no guidance exists for companies that would like to take positive action. There is a widespread belief that Roma employment involves greater costs than benefits, and little research has been undertaken to explore this issue in any depth.

This study begins to address this gap. Between May and September 2005, Ernst & Young conducted interviews with 14 companies in Hungary, Slovakia and the Czech Republic – including 18 employers and 18 Roma employees – as a basis for identifying company perspectives on the barriers to, and benefits of, employing Roma. A case study was also undertaken on a company in Spain to explore lessons from efforts to integrate and employ disabled employees. While the coverage of companies in CEE was limited, the information provided offers a basis for drawing out preliminary guidance

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for companies to tackle Roma discrimination. This guidance, in turn, offers a basis for initiating much needed dialogue within the business community.<sup>2</sup>

### **Key conclusions**

The following insights are offered by businesses on Roma employment.

#### *The big picture is key*

Roma populations in Hungary, Slovakia and the Czech Republic are already significant, representing probably between 3-10 per cent of national populations. Given existing growth rates, it is likely that Roma will make up a growing share of the region's population over time. Some estimates put population shares of Roma as high as 20-35 per cent.<sup>3</sup> Unless Roma are better integrated into regional labour forces, economies will under-perform their potential. Likewise, if Roma people can be successfully equipped and brought into the workforce, new opportunities will unfold: Roma integration should boost growth through heightened productivity, new skills, increased consumption and investment. Lower requirements for welfare spending will free governments to invest in infrastructure and raise productive capacity. Yet few business leaders appreciate the magnitude of the challenge ahead, or the opportunities. A 'big picture' understanding needs to be spread to business leaders, and executives need to be engaged in dialogue on how companies might realistically respond.

*Roma integration should boost growth through heightened productivity, new skills, increased consumption and investment*

#### *Diversity policy is important, but not sufficient*

Equal opportunities or diversity policies need to explicitly target Roma discrimination to effectively tackle this problem. Moreover, policies need to be backed up with a programme for implementation.

#### *Managerial leadership is key*

Unless management sets the tone and leads its staff, deeply ingrained prejudices against Roma will not be effectively challenged. Efforts must be made to employ Roma, particularly at a managerial level, and encourage other staff to work with Roma employees. Once people gain personal experience of working with Roma peers, their prejudices will gradually dissipate.

*Unless management sets the tone and leads its staff, deeply ingrained prejudices against Roma will not be effectively challenged*

<sup>2</sup> The delivery of best practice guidelines for companies should reinforce and complement insights offered by parallel work commissioned by UNDP in cooperation with different research institutes in the Czech Republic (People in Need), Hungary (TARKI) and Slovakia (team of experts) on government policy recommendations for Roma employment (forthcoming on <http://www.undp.org/europeandcis>). The European Roma Rights Centre (ERRC) conducted a complementary research on equal employment opportunity policies (<http://www.errc.org>) and the European Commission (EC) launched a best-practice guide for companies on the broader theme of equal opportunities. ([http://europa.eu.int/comm/employment\\_social/fundamental\\_rights/spot/april05\\_en.htm](http://europa.eu.int/comm/employment_social/fundamental_rights/spot/april05_en.htm)).

<sup>3</sup> GeoHive and SEEL (2003).

### *Companies can work with new partners to find suitable recruits*

In an effort to find suitably educated, experienced and hard-working Roma recruits, some companies are forming innovative partnerships with educational or community establishments in Roma areas. The model is simple: a partnership is formed between the company and local organisation to help train potential candidates and/or to help select the most suitable individuals for jobs. From the companies' perspective, the partnerships help control risks (e.g. high staff turnover) and ensure quality. Also, by building links with local organizations, companies can enhance their reputation, and attract qualified and motivated staff.

### *Tackling prejudice head-on – promoting role models*

*Prejudice against Roma needs to be made socially unacceptable*

Prejudice against Roma needs to be made socially unacceptable. Companies can play a key role in the public education campaign by challenging stereotypes in employment, e.g. promoting qualified Roma to managerial positions, and through the treatment and portrayal of Roma consumers (e.g. through the inclusion of successful Roma in advertisements). Companies can also ensure that they do not tolerate discrimination or prejudice in the workplace.

### *Location and transportation*

There is often a mismatch between the location of Roma communities and jobs. Companies in this study have used different tools to tackle the problem including the provision of transport for employees, or financial support for local accommodation.

### *Government employment and unemployment policies are failing, but they could make a difference<sup>4</sup>*

A recurring theme is the failure of government policies to encourage Roma employment. Two sets of policies are broadly criticized: (1) subsidies to companies to employ the long-term unemployed; and (2) generous social assistance benefits. The former are criticized for being overly bureaucratic and too costly to access. The latter act as a direct disincentive to work, particularly for unskilled Roma who have low earning prospects. On the other hand, there is evidence that well-targeted and efficiently administered subsidies could act as a catalyst for positive action.

### *Need to learn from international experience*

For companies seeking to introduce and implement diversity policies, there is a lack of practical guidance. Experiences with implementing similar policies targeting disadvantaged groups in other countries offer valuable lessons.<sup>5</sup>

<sup>4</sup> The pros and cons of government policies to promote Roma employment is the subject of parallel research by UNDP (forthcoming on <http://www.undp.org/europeandcis>) as well as the ERRC (<http://www.errc.org>).

<sup>5</sup> Sharing of international practices on diversity employment is the aim of the EC project "The Business Case for Diversity: Good Practices in the Workplace" launched on 28-29 November 2005 ([http://europa.eu.int/comm/employment\\_social/fundamental\\_rights/spot/april05\\_en.htm](http://europa.eu.int/comm/employment_social/fundamental_rights/spot/april05_en.htm)).

## **Preliminary guidance for companies**

The study synthesizes preliminary recommendations for company action. The guidance is not intended to be comprehensive, nor final. Rather it seeks to highlight practical steps companies might take and provide a basis for further discussion and research.

### **Define policies & practice: target Roma discrimination**

Equal opportunity policies need to explicitly target Roma discrimination. Specific policies and practices should flow from an internal discussion about the equal opportunity policy and its relevance for the company. Companies need to define practical steps for implementation, and measurable indicators to monitor implementation. Human Resources (HR) managers should be adequately trained in equal opportunities practices.<sup>6</sup>

*Specific policies and practices should flow from an internal discussion about the equal opportunity policy and its relevance for the company*

### **Lowering hiring costs and risks & raising standards: Building local partnerships**

By building links with local Roma and/or educational establishments, companies can establish an effective Roma recruitment system. Such partnerships can reduce transaction costs and risks associated with searching for and identifying qualified employees. Moreover, the investment in educational/local organizations can help to attract the most qualified and motivated candidates.

### **Support integration**

Wherever possible, training and induction should be conducted for all staff, and an effort made to ensure that Roma employees participate. Contracts and conditions between equivalent grades of staff should be the same. Companies should seek to minimize the use of short-term contracts that place Roma in an insecure position. Where Roma require additional assistance, specific actions may be warranted, e.g. additional training, a specially designed induction package, support with transport (e.g. provision of bus service) or local accommodation (e.g. support for rental, letter of recommendation). No single model exists, but practices should be designed based on a particular company's situation and through discussions with affected staff. Lessons may be learned from measures used to integrate women or minority groups into workforces. Finding the right combination of support and flexibility can help ensure that companies get the most out their staff.

### **Promote senior management & staff awareness**

Companies can play a role internally with building awareness about the benefits of diversity, and a greater understanding about Roma customs and culture. Big-picture themes should be discussed, along with the implications of demographic changes for companies' business models.

<sup>6</sup> The International Labour Organisation's (ILO) regional office for CEE has compiled a course on non-discrimination and equal opportunities for HR Directors. The programme will be available in late 2005.

This should not be seen as just a ‘classroom’ exercise, but should be reinforced through team-building activities.

#### *Promote role models*

By identifying capable candidates and promoting them to suitable managerial positions, companies can make a statement about their confidence in Roma staff to reach senior positions through hard work, and an opportunity for Roma to challenge preconceptions and prove their capabilities.

#### *Engage in dialogue – establish a business discussion forum*

Businesses would gain from the establishment of a forum for sharing experiences. Ideally, such a forum would bring together business leaders, key thinkers in government and academia, as well as Roma representatives.<sup>7</sup>

#### **Recommendations for Government**

The issue of government policy is dealt with under parallel studies.<sup>8</sup> This report merely highlights business suggestions for possible government action including: continued and extended investment in Roma education (including consideration of affirmative action), positive discrimination in public tenders in favour of companies with a proactive stance on Roma employment, the promotion of closer links between local employment agencies and business, a public education campaign to challenge prejudice, the development of best practice guidance for companies as well as the reform of existing subsidies for long-term unemployed and a system of social assistance benefits to encourage work. In one instance the business argued for a system of quotas for private companies to employ more Roma.

#### **Final note**

This report synthesises information provided from interviews with employers/managers and Roma employees from 15 companies in Hungary, Slovakia, the Czech Republic and Spain. The sample is small and does not provide a basis for final conclusions or definite recommendations. Nevertheless, it offers a platform on which to initiate dialogue within the business community about the challenge of Roma employment. It also offers some preliminary guidance for companies on how they might better address Roma discrimination.

Perhaps the single most significant message of this study is that companies must give the issue of Roma employment more attention. Not only does the issue affect companies’ cost base through the labour market, but it also affects the investment climate and the pool of customers to which businesses must sell. Finally, it matters because com-

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<sup>7</sup> In Hungary, businesses joining the Global Compact initiative have made Roma employment and non-discrimination a priority area.

<sup>8</sup> ERRC argues, for example, for the stronger role of governments as employers. The Public Service sector should act as a leading example.

panies are legally obliged not to discriminate. The sample taken here includes companies that have volunteered to participate, and that are thus likely to be leaders in CEE with respect to Roma employment. Yet, even in these cases, action is mostly modest, and the challenges highlighted large.

This situation needs to be confronted, and companies given guidance on how they can take actions that can have positive spin-offs for their businesses overall. International experience suggests that by drawing on a broader labour pool, companies can attract more talent at affordable costs. By investing in retaining, training and motivating Roma employees, problems around 'work ethic', poor skills and absenteeism can be significantly reduced. Greater diversity can enhance creativity and innovation. It can also offer insights and ideas for new markets, e.g. within Roma communities.

But international experience is only a start. Ideas must be shared, evaluated, debated and tested by companies in CEE. This process of analysis and debate is a critical part of increasing business consciousness about the challenges at hand, and building momentum for change. It is hoped that this report can offer a platform for bringing together a forum of business leaders to initiate such a discussion.

*Ideas must be shared, evaluated, debated and tested by companies in CEE*

# 1 Introduction

## Context – the need to tackle Roma unemployment

Volumes have been written about the plight of the Roma in Central and Eastern Europe (CEE). This minority group, the largest in Europe, suffers from higher levels of poverty, unemployment, ill-health, and illiteracy than any other in the region. Discrimination is widespread and pervasive. Police are regularly accused of Roma brutality and judges of unfair rulings. Roma NGOs and multilaterals frequently point to discrimination in access to education, employment, health-care and housing.<sup>9</sup>

While statistics about Roma are notoriously poor (often due to laws forbidding or hindering data collection relating to ethnicity), reports on the problems faced by Roma are frequent. Governments throughout CEE have responded – partly under pressure from the EU – with a plethora of Roma programmes, strategies and action plans. In some cases, they have launched more than one. In practice, however, action (and impacts have) been extremely piecemeal and short-term.

While it is difficult to identify where to start in tackling Roma marginalization, it is widely acknowledged that reducing unemployment must be a priority.<sup>10</sup> In Slovakia, Roma unemployment is estimated to be 64 per cent, Bulgaria 51 per cent, the Czech Republic 32 per cent, Hungary and Romania 25 per cent. In some regions, unemployment is thought to be as high as 100 per cent.<sup>11</sup> Without secure jobs and income it will be extremely difficult to attain sustained improvements in a range of other indicators from welfare dependency, health and education. Likewise, deepening poverty, widening regional gaps, and educational inequalities in schools further marginalize a large number of Roma from the labour force. These mutually reinforcing trends are extremely difficult to break.

### The need to engage business

Acceptance of the need to tackle unemployment, however, has failed to produce significant results. Government efforts have focused almost exclusively on subsidies for training, public works programmes, job counselling, support to entrepreneurs or tax relief/subsidies for employers. Often these schemes are inappropriately targeted with few long-term impacts.<sup>12</sup>

*Without secure jobs and income it will be extremely difficult to attain sustained improvements in a range of other indicators from welfare dependency, health and education*

<sup>9</sup> A recent overview of the economic and social situation of Roma in the EU is provided by the European Commission (EC). 2004. "The situation of Roma in an Enlarged European Union". Directorate-General for Employment and Social Affairs, Luxembourg.

<sup>10</sup> The recently launched international "Decade of Roma Inclusion", for instance, has identified employment as a priority. See [www.romadecade.org](http://www.romadecade.org).

<sup>11</sup> Data on Roma are notoriously poor. UNDP's 2004 report "Avoiding the Dependency Trap: The Roma in Central and Eastern Europe" is perhaps the most comprehensive dataset available based on a survey of households in 2003. (The report and dataset is available on <http://roma.undp.sk>). UNDP completed a more comprehensive survey on the status of Roma, non-Roma living in close proximity to Roma and refugees/internally displaced persons (IDPs) for 11 countries in Central and Southeastern Europe in October 2004. Datasets are available on <http://vulnerability.undp.sk> and a regional analysis is forthcoming.

<sup>12</sup> According to a recent review of the EU's Phare assistance to Roma Communities (EMS Consortium. 2004. "Review of the European Union's Assistance to Roma Minorities – Interim evaluation of Phare support allocated in 1999-2002 and implemented through November 2003". Thematic Evaluation Report.) "The labour market reintegration projects that were delivered were not based on an informed understanding of the patterns of unemployment or the barriers that exclude Roma people from the labour market".

While ultimately it is companies that will decide to employ Roma, in no country has a consistent, or in some cases even preliminary, effort been made to discuss with companies the problems faced and how to tackle them. No research exists to illustrate the costs and benefits facing companies who employ Roma, nor guidance for companies that would like to. However, any long-term reintegration of Roma into the mainstream workforce will require company leadership.

### **Why business should be interested**

From the perspective of businesses, the issue is increasingly acute. Where a large segment of any population is economically inactive, the whole nation suffers a loss in productivity and competitiveness. Businesses experience the fall out, through tight labour markets and rising wages. Furthermore, the low income earning potential amongst Roma communities has knock-on effects for consumption and sales. Nor are companies immune to rising social tensions, increased crime and violence associated with the existence of a large deprived segment of society.

To give a sense of the challenge facing companies (and the waste of an economically inactive or underemployed Roma population), it is useful to look at population projections. Currently Roma are thought to make up between 3-10 per cent of populations in Hungary, Slovakia and the Czech Republic.<sup>13</sup> GeoHive and SEEL (2003) tentatively estimate that in Slovakia, Roma are projected to make up 35 per cent of the population in 2050. The figure for Hungary is over 20 per cent.<sup>14</sup> Businesses that fail to address Roma discrimination are failing to see both potential threats and future opportunities for their own recruitment and sales.

EU legislation also requires action on the part of businesses. The principle of non-discrimination comes from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (1998)<sup>15</sup> – to which the EU is a signatory – while racial discrimination is spelled out in the EU's Directive on Racial Equality (2000/43/EC). All new Member States in CEE were required to implement this Directive by May 2004, the date of their accession to the EU. The legislation outlaws direct and indirect discrimination, i.e. where an apparently neutral practice effectively puts people of a particular race at a disadvantage. This legislation places the burden of proof on the accused, i.e. in the case of discriminatory employment practices, the employer. Companies that fail to comply with national laws on discrimination face potential financial sanctions, legal liabilities and run reputational risks associated with negative publicity, potentially affecting share prices and profits.

Companies face risks to their reputation when they fail to integrate into their business plans society's rising expectations about their commitment to social development. Companies with good reputations and sound sustainable development policies have found it much easier

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<sup>13</sup> GeoHive and SEEL (2003). See [www.seel-tesis.com/rep105.htm](http://www.seel-tesis.com/rep105.htm) cited in European Committee on Romani Emancipation. 2003. "The impact of special schools on the Roma in Central Europe", Brussels.

<sup>14</sup> GeoHive and SEEL (2003).

<sup>15</sup> <http://www.ilo.org/dyn/declaris/DECLARATIONWEB.INDEXPAGE>.



to retain and recruit talented employees. Discontent in communities where companies operate can be damaging; therefore the goodwill of the people is crucial for long-term success. Executives should also keep in mind that businesses operate in an increasingly transparent environment and non-governmental organizations are monitoring businesses closely. This means that companies need to behave responsibly and strive to understand and anticipate threats and opportunities, in order to formulate a credible response.

In summary, there are five primary reasons businesses need to look seriously at the problem of Roma unemployment:

- *Waste and lost productivity* – Human capital is an essential input into the production process for all companies. Complacency amongst CEE companies about their competitive advantage vis-à-vis Western Europe has frequently rested on figures relating to relatively low wages and high labour productivity. Growing competition from East Asia, particularly China and India, is forcing companies to think more carefully about how they can compete in a globalized world. Within this context, Roma unemployment represents a striking waste of human resources and productivity for companies.
- *Tight labour markets and rising wages* – By artificially constraining their pool of human resources, companies face a scarcer and, thus, more costly supply of labour. With wage inflation picking up in CEE, companies must increasingly worry about how they can maintain their competitive edge.
- *Constrained consumption* – Low incomes in Roma communities have direct knock-on effects for consumption and companies' sales. In a macroeconomic sense, the impacts are felt through lower aggregate demand, and lower economic growth. At a micro-level companies operating in or near Roma communities miss potential opportunities for developing new product lines or expanding turnover for existing goods and services.
- *Investment uncertainty* – Companies are not immune to rising social tensions, increased crime and violence associated with the existence of a large deprived segment of society. While for the moment these impacts are largely localized, without action to integrate Roma communities into mainstream society, the broader economic implications will mount. Likewise, effective integration of Roma communities would offer new investment opportunities in currently under-served parts of the region.
- *Reputational Risk* – When companies fail to comply with EU directives and neglect the interests of society, they face potential legal and social repercussions. And they run the risk of harming their reputations because of the negative publicity such behaviour attracts.

The above is not intended to imply that business must act alone. Business cannot, however, continue to turn the other way. The challenge faced is too large and multi-faceted for government or civil society to tackle, and – importantly – it increasingly matters to business performance. Ultimately, it is in companies' interest that Roma unemployment and marginalization is addressed effectively. Business leadership in this important area is currently lacking.

## Project objectives

This report outlines the results from baseline research on company actions and perceptions in the arena of Roma employment and training.

The **ultimate goal** of the baseline study is to provide a basis for:

- A broader dialogue with companies in CEE on what action could be taken to combat Roma discrimination;
- Developing initial guidance for companies to promote positive action; and for
- Building a business case for positive action.

To achieve the above goal, this report seeks to:

- Document examples of progressive employment policies by companies in the region and Western Europe;<sup>16</sup>
- Highlight practical barriers to Roma employment; and
- Develop preliminary best-practice recommendations for businesses to prevent discriminatory behaviour and to make the most of their labour force.

It is important to stress that the information, conclusions and recommendations contained in this report are based on a limited number of interviews with a small selection of companies. Not only is the sample of 14 companies in CEE (including Hungary, Slovakia and the Czech Republic) and one company from Western Europe (Spain) small, it is self-selected since it included only companies that volunteered to participate.

Notwithstanding these limitations, it is envisaged that this baseline research will kick-start a broader engagement process, involving companies in CEE, Roma community representatives, governments, and other relevant experts in tackling discriminatory behaviour. Two immediate routes for launching the findings include: (1) the European Conference on Workplace Diversity on 28-29 November 2005 in Brussels<sup>17</sup>, and (2) the Global Compact launch in Hungary on 9 December 2005 (see Box 1).

The research was commissioned by UNDP for Europe and the CIS (Bratislava), and involved 15 sets of company interviews undertaken by Ernst & Young through its local offices in Hungary, Slovakia, the Czech Republic, and Spain between May and October 2005.

## This report

The report proceeds as follows. In Section 2 we briefly outline the context, methodology used and the selection of companies as case studies. Sections 3 to 6 outline the key results of the interviews undertaken, starting with the policies and employment practices of companies (Section 3), then turning to measures of the impacts of these policies (Section 4), and finally looking in more detail at the benefits (Section 5) and barriers (Section 6) for Roma employment. The report concludes in Section 7 with recommended guidelines for companies. Mention is also

<sup>16</sup> Case studies focus on Roma employment, but lessons are also sought from a review of positive employment practices relating to other disadvantaged groups.

<sup>17</sup> See <http://www.conference-board.org/worldwide/europediversity.cfm>.

**Box 1:****The Global Compact**

The United Nations Global Compact is an international voluntary initiative that brings companies together with United Nations agencies, labour and civil society to support 10 principles in the areas of human rights, labour, the environment and anti-corruption. Through the power of collective action, the Global Compact seeks to advance responsible corporate citizenship and help business become part of the solution to the challenges of globalization. The Compact relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to:

- Mainstream the ten principles in business activities around the world
- Catalyze actions in support of United Nations goals

The United Nations Global Compact is an expanding network of over 2,000 participants from all regions of the world. At its core are the United Nations Global Compact Office and six United Nations agencies: the Office of the High Commissioner for Human Rights, the United Nations Environment Programme, the International Labour Organization, the United Nations Development Programme, the United Nations Industrial Development Organization and the United Nations Office on Drugs and Crime.

The United Nations Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. The principles are as follows:

**Human Rights**

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

**Labour**

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

**Environment**

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

10. Businesses should work against corruption in all its forms, including extortion and bribery.

For more information, please see [www.unglobalcompact.org](http://www.unglobalcompact.org)

made of potential government reforms put forward by interviewees, though this matter is left for detailed consideration in parallel research being undertaken by UNDP and the European Roma Rights Centre. Recommendations for companies are preliminary, reflecting the small sample used for this report, but they offer a basis for discussion with the business community in CEE.

## 2 Overview of research

## Context

In March 2005 UNDP Europe and CIS (Bratislava) commissioned Ernst & Young to conduct a baseline analysis of business perspectives and practices relating to the employment of Roma. The study is part of a broader programme of research "*Barriers to employment policy analysis*" initiated by UNDP following its research into Roma deprivation throughout CEE in 2004.<sup>18</sup> Alongside an analysis of company perspectives and actions outlined in this report, the programme also involves a detailed analysis of barriers to Roma employment from a legal, fiscal and economic policy perspective in the region. The latter is being led by TARKI in Hungary, People in Need in the Czech Republic and a team of experts in the Slovak Republic.<sup>19</sup>

In parallel with UNDP's work programme, it is important to highlight two other research projects underway:

- *European Roma Rights Centre (ERRC) project:* Within CEE, the ERRC is leading complementary research on Roma employment discrimination. The objectives of this research are to: (1) document instances of discrimination of Roma from (and in) employment in Bulgaria, Czech Republic, Hungary, Slovakia and Romania, and (2) make policy recommendations to counteract discrimination.<sup>20</sup>
- *European Commission (EC) project:* The EC launched a project to promote the Business Case for Diversity in early 2005. The project aims to support businesses and employers in their development of effective diversity programmes and encourage the exchange of experience and good practices between companies across the European Union. A compendium of good practices that illustrate the business case for diversity will be published and publicly available at the end of 2005.<sup>21</sup>

This project neatly complements the above work by focusing on positive examples of company practice relating specifically to Roma discrimination in CEE. The delivery of best practice guidelines for companies should usefully reinforce and complement insights offered by work led by UNDP, the ERRC and the EC. To this end, efforts have been made at the project design stage to share information between these strands of work and to explore scope for coordinating the launch of final products to maximise impact.

## Methodology

As highlighted in the introduction, this project has involved a sample of 14 companies from CEE (six companies from Hungary, five from Slovakia, and three from the Czech Republic), and one company from Western Europe (Spain). The case study in Spain was included to offer lessons from Western Europe where corporate engagement on labour

<sup>18</sup> UNDP, 2002. "Avoiding the Dependency Trap: The Roma in Central and Eastern Europe" Bratislava: UNDP.

<sup>19</sup> Forthcoming on <http://www.undp.org/europeandcis>.

<sup>20</sup> <http://www.errc.org>.

<sup>21</sup> [http://europa.eu.int/comm/employment\\_social/fundamental\\_rights/spot/april05\\_en.htm](http://europa.eu.int/comm/employment_social/fundamental_rights/spot/april05_en.htm).

discrimination is further advanced. The case focuses on actions by the company to integrate disabled employees. The sample was self-selected since it included only companies that volunteered to participate.

In each case narrative interviews were held separately with senior management (e.g. the CEO, Head of Human Resources) and Roma employees, and separate questionnaires were designed for each category of respondent.<sup>22</sup> Interviews were designed to deliver information to meet the project objectives as set out in the Introduction. In all cases, questions were open-ended to allow respondents to elaborate responses. In total 18 senior management (including some Roma directors), and 18 Roma employees were interviewed in depth. Three points should be stressed about this research.

Table 1: **Companies and interviews by country**

Country	Company	Sector	Interviews	Number of Employees
Hungary	ABB	Electric machinery, automation technology	<ul style="list-style-type: none"> <li>• CEO</li> <li>• Deputy CEO (HR Dept)</li> <li>• Roma – project leader</li> </ul>	320
	Electrolux	White goods manufacturer	<ul style="list-style-type: none"> <li>• HR Manager</li> <li>• Roma – supervisor</li> <li>• Roma – Vacuum cleaner assembly x 2</li> <li>• Roma – mechanic, group leader</li> </ul>	3,803
	Hungarian Posta	Post	<ul style="list-style-type: none"> <li>• Deputy CEO (HR)</li> <li>• Supervisor (head of post office)</li> <li>• Roma – 1 postman, 1 administrative employee</li> </ul>	39,000
	Freesoft	IT	<ul style="list-style-type: none"> <li>• President</li> <li>• Executive Manager</li> <li>• Roma - Data recorder x 3</li> </ul>	101
	Gundel Restaurant	Catering	<ul style="list-style-type: none"> <li>• Head HR</li> <li>• Roma – Kitchen staff</li> </ul>	200
	Kőrösi Fisheries Cooperative	Fishery	<ul style="list-style-type: none"> <li>• 1 supervisor</li> <li>• 2 employees (both in fish processing and packaging department)</li> </ul>	40
Slovakia	Whirlpool Slovakia	White goods manufacturer	<ul style="list-style-type: none"> <li>• HR Manager</li> <li>• Roma - Production workers x 2</li> </ul>	1,400
	Svik	Textiles	<ul style="list-style-type: none"> <li>• General Director</li> </ul>	1,100
	Krypton	Construction	<ul style="list-style-type: none"> <li>• General Director/owner</li> </ul>	60
	Obnova	Construction	<ul style="list-style-type: none"> <li>• General Director/owner</li> </ul>	1,100
	Rautenbach	Cars – aluminium supplier	<ul style="list-style-type: none"> <li>• Head, Personnel</li> </ul>	380
Czech Republic	Czech TV	TV	<ul style="list-style-type: none"> <li>• News Director</li> <li>• HR Director</li> <li>• Roma - Reporter</li> <li>• Roma - News presenter</li> </ul>	2,050
	VEBA Broumov	Textile	<ul style="list-style-type: none"> <li>• HR Director</li> <li>• Head of HR</li> <li>• Roma – Warehouse staff</li> <li>• Roma – Seamstress</li> </ul>	1,370
	Novem Car Interior Design	Car parts manufacturer	<ul style="list-style-type: none"> <li>• HR Director</li> <li>• Roma – chief polisher</li> <li>• Roma – polisher x 2</li> </ul>	530
Spain	Telefónica	Telecommunications	<ul style="list-style-type: none"> <li>• HR Director</li> </ul>	65,000

<sup>22</sup> Copies of the two questionnaires can be found in the Appendix.

First, the sample size is small and the results cannot be taken to reflect the broader corporate sector in CEE. Rather, the aim was to provide a platform for further research on the business case for Roma employment, and to initiate a dialogue with the corporate sector.

Second, during questionnaire development, it was felt that excessive emphasis on quantitative information could provoke a defensive response from companies, and therefore detract from the broader aim to engage companies in what has to date been a sensitive issue. For this reason, the majority of questions is qualitative in nature, and offers a platform on which to develop a more quantitative cost-benefit analysis. A training session was organized by UNDP in Bratislava for Ernst & Young staff involved in the interview process.

Third, during the survey greater emphasis was put on the employer interviews. The employee interviews provided background information and were used to cross check information from employers.

### ***Selection of companies***

The selection of companies to participate in the project was undertaken by Ernst & Young staff working closely with UNDP (Bratislava). An effort was made to get a good cross section of small to very large companies (see Table 1), and to cover a range of sectors from traditional Roma employers, e.g. construction, to non-traditional employers, e.g. IT.

Identified companies were contacted by e-mail and then telephone to introduce the project, and explore possible interest in participating. Companies that agreed to participate had the option to remain anonymous. They were also offered the prospect of participating in a launch event for the final report planned for December 2005 in Budapest. A full list of companies interviewed (unless they requested anonymity), and the number of people interviewed, for the study is provided in Table 1.

### 3 Company policies & employment practices



In the first part of our analysis we look at companies' policies and employment practices relating to Roma. For each issue we provide an overview for all the companies we examined in CEE, and we point to interesting trends. We look at the outcome of policies and practices in Section 4.

### 3.1 Equal opportunity policies – Roma targeting

Over half of the 14 CEE companies interviewed have no policy (formal or informal) on equal opportunities. For the most part, interviewees indicated that they saw no need for such a policy. They emphasized that they treat Roma and non-Roma equally and they only consider skills and qualifications. Moreover, at present companies employ few Roma and companies do not feel obliged to introduce equal opportunity policies for these Roma employees.

Those that have a written equal opportunities policy have generally inherited these from their parent companies in Western Europe (e.g. ABB, Electrolux, Whirlpool), or are legally required to have policies under the EU's Directive on Racial Equality (2000/43/EC) (e.g. Hungarian Post).<sup>23</sup>

While none of those with written policies specifically target Roma, three companies (Svik, Freesoft and ABB) stress their commitment to tackling Roma discrimination. In all three cases, this commitment comes from the personal conviction of the CEO or company owner (see Boxes 2, 6, 7). Freesoft and ABB advocate for affirmative action to ensure Roma recruitment and integration into their workforces.

Two key messages from this sample on policies relating to Roma employment are:

- 1) The existence of written Equal Opportunities Policies does not necessarily go hand in hand with an awareness of, or commitment to, tackling Roma discrimination.
- 2) Senior management leadership is an essential ingredient in putting Roma discrimination onto companies' agendas (see Box 2).

The Spanish company – Telefónica – has a formal, written policy which was established for the Telefónica Group and which all member companies implement. The policy targets disadvantaged people (see Box 3).

*The existence of written Equal Opportunities Policies does not necessarily go hand in hand with an awareness of, or commitment to, tackling Roma discrimination*

### 3.2 Recruitment of Roma

The majority of CEE companies interviewed have no special recruitment process for Roma. Roma candidates are treated like any other prospective employee, and undergo the same entry procedures. For the most part, this involves an initial application followed by an interview with the Head of Human Resources and the potential supervisor. Where jobs are not publicly advertised, an individual may be informally asked to apply, and then interviewed.

<sup>23</sup> The Directive requires that large state-owned companies must draw up written Equal Opportunities Policies.

## Box 2:

**Senior management leadership – the case of Freesoft in Hungary**

Freesoft is a Budapest-based information technology (IT) company. Its main activities include software development, document management, enterprise content management, IT auditing and counselling.

The President of Freesoft has strong personal motivations for hiring Roma, rooted in his childhood experiences in Bátonyterenye, Nógrád County. Nógrád County is one of the most disadvantaged regions in Hungary. The unemployment rate is around 15 per cent, and the county has one of the highest concentrations of Roma in the country.

A few years ago the President participated in an international document management exposition in New York, where he saw several Indian firms selling so-called 'IT enabled services'. The term refers to people-intensive services that are delivered over telecom networks or the Internet to a range of business segments, e.g. document management, telemarketing, help-desk support, medical transcription and back-office accounting. The experience inspired the president to set up a data recording centre in Bátonyterenye. If this type of work can be done in India, China, Malaysia – he thought – then it can also be done in Hungary involving Roma communities. By launching the data recording centre, he wanted to prove that in spite of the widely spread prejudices concerning the working habits and ability of the Roma, they are capable of performing skilled jobs in the IT sector.

Freesoft had some experience in data recording (with students) and believed that it offered a potentially profitable business opportunity. A key element of Freesoft's strategy was to find capable Roma employees. The President did this by establishing cooperation with a local Roma organisation, Family Supporting Service, through personal contacts. In addition, Freesoft sought government financing in the form of subsidies from the Ministry for Information Technology. Freesoft applied for a tender that provided equipment (15 computers) and covered 15 employees' wages for six months. Freesoft provided the technology and logistics. After funding was ensured, they began to recruit Roma through the local Family Supporting Service. During the recruitment process the Roma organisation selected 15 people.

*When companies have sought to employ Roma, they have often formed links with Roma associations or educational establishments (e.g. vocational colleges) to search for candidates*

For all companies, criteria used for candidate selections include a mixture of: education/skills, experience and work ethic (willingness to work regularly, punctually and effectively). In some instances a candidate's health and ability to fit into the group are also considerations.

When companies have sought to employ Roma, they have often formed links with Roma associations or educational establishments (e.g. vocational colleges) to search for candidates. These entities act as intermediaries that can help identify appropriately skilled and motivated individuals, thereby significantly lowering the transaction costs and risks of Roma employment. Examples of this approach include:

- ABB - CEO sought candidates through an informal association of Roma called the Bronze Club (see Box 4).
- Freesoft established a data recording centre in Bátonyterenye in 1990. The company established good contacts with a local Roma organisation to help with recruitment (see Box 2).
- Obnova - Jozef Patkan (Managing Director) set up the civil association Rómska Obnova Horného Šariša to retrain young Roma, whom the company then employs.
- Rautenbach - Cooperation with a local school to ensure trained new recruits.
- Svik – launched the ROMOR project to integrate Roma into work and society. A key aspect of the project was cooperation with vocational schools that have a high level of Roma representation: Čadca,

## Box 3:

**Lessons from Spain: Telefónica helps the disabled**

Telefónica is today one of the world's leading telecommunications companies. With over 122 million customers, it has a strong presence in 16 countries and operations in nearly 40 others. In December 2004 the Group employed more than 173,000 people (approximately 65,000 in Spain), and its potential market exceeds 500 million customers.

The Telefónica Group considers Corporate Responsibility (CR) as a means of managing business processes so that they contribute to long-term sustainable value creation for all those dealing with the company. It has identified CR as one of the three pillars that contribute decisively to the formation of corporate reputation, what might also be called the 'personality' of the company.

Practical examples of CR are: the creation of the **Telefónica Association for Assistance to the Disabled (ATAM)** in the 1970s, as discussed below; the publication of the first Social Balance Sheets in the 1980s; and the environmental commitments undertaken in the 1990s.

**ATAM – Telefónica Association for Assistance to the Disabled**

The Telefónica Group established ATAM (Telefónica Association for Assistance to the Disabled), an institution specialised in helping companies to employ disabled people. It is considered one of Telefónica's most solid initiatives in the area of corporate responsibility.

ATAM was set up in 1973 by Telefónica employees and social workers to help the physically and mentally handicapped and the hearing impaired. After nearly 30 years, and with the cooperation of more than 60,000 employees, ATAM helped 3,600 people in 2004. Currently more than 1,000 professionals with disabilities work at the Telefónica Group, some 0.5 per cent of its staff worldwide. TeleSP and Atento España – members of the Telefónica Group – have made the greatest progress in employing disabled persons.

ATAM offers support to Telefónica in analyzing the various alternatives available and assessing companies' compliance with laws relating to the rights of the disabled. It has created a system with benefits for companies, employees and people with disabilities. ATAM offers companies the opportunity to use any of the formulas laid out in the Disabled Persons Labour Integration Act (LISMI) and other legislative acts. In addition to ATAM's Labour Integration Service (SILA), ATAM also has several employment centres staffed entirely by the disabled, operating in three areas: commercial laundry, electronic component assembly and telemarketing (see Box 5). Approximately 250 disabled persons work in these centres.

ATAM is financed largely by the voluntary contributions of some 62,000 employees from 23 Telefónica companies. Workers contribute a portion of their fixed wages and their employers double this contribution. In 2003, these employees received the Business and Society prize for the best social action in collaboration with employees.

Source: Corporate Responsibility Annual report 2004. Telefónica. [www.telefonica.es](http://www.telefonica.es).

Turzovka, Šafárikovo, Svidník and Košice. Svik also works closely with an employment bureau and grammar schools to identify potential employees. It has tended to favour women. Three groups of recruits: (1) ST training for women who did not complete grammar school; (2) two-year training; (3) possible university education for graduates of vocational school (see Box 6 for a description of the ROMOR project).

- Whirlpool Slovakia – when it needed more labour, often unskilled, the company established good contacts with a local Roma representative in Gánovce, a village near the city of Poprad. The representative chose people from the community who met the basic skill/experience requirements.

Additional tools used to attract and retain Roma employees are discussed below.

*Three forms of support are offered to Roma employees to increase their productivity and to provide incentives to remain with a company: training, transportation, and accommodation*

### 3.3 Retention of Roma

Three forms of support are offered to Roma employees to increase their productivity and to provide incentives to remain with a company: training, transportation, and accommodation. Training is by far the most significant since it not only acts as an incentive to work, but it also boosts the productivity of staff. For the most part, incentives are targeted at all employees, but Roma are expected to make the most use of them. In a few cases Roma receive special attention.

#### Training

Two companies have sought to offer specific training for Roma employees:

- Freesoft – intensive training in data-recording for six months. Afterwards: one or two days weekly (on skills related to upcoming projects).
- Svik – a coaching and specialist training system.

Five companies highlighted regular training that has specifically benefited, or been extended to, Roma employees:

- ABB – training in quality management. This can involve study tours abroad and language training.
- Electrolux – Roma took about 4-6 places in 10 of 13 groups at the company's vacuum cleaner factory for a training.
- Hungarian Post – assimilation and vocational training for all new and unskilled staff.
- Whirlpool – Roma usually receive extra training since they enter the company at a lower level.
- Czech TV – additional training for Roma reporters was necessary.

Telefónica pays attention to the training and professional development of all its employees, but focuses particular attention on its disabled staff (see Box 5).

#### Box 4:

#### Linking up to a Roma association to aid recruitment – the Bronze Club

In the 1990s a network for members of the Roma intelligentsia including civic foundations was established with the financial support of the Soros Foundation and the Romanokor Roma House. The initiative provided Roma university and college students with a forum for sharing views and opportunities. The network consisted of about 100-150 young Roma with a university degree. Specific activities included:

- Leading a forum for discussion of current issues;
- Providing information on job opportunities;
- Establishing links with the business community;
- Disseminating information on scholarships, grants, etc.;
- Sponsoring initiatives to educate the public about Roma culture;
- Running summer camps for young Roma;
- Training of Roma political leaders. (e.g. Livia Járóka was a member of the Club and was later elected to the European Parliament).

The Bronze Club operated successfully for years but then stopped functioning for lack of funds.

**Box 5:****Integration and training of disabled employees at Telefónica**

In 2004, three Integral Help and Assistance Services (SIAA) Special Job Centres were put into operation by Atento Spain – a subsidiary of the Telefónica Group – to employ people with disabilities.

The three Centres, located in Greater Madrid and Seville, provide special customer services for top-level institutions. At the end of the year they employed 200 people, 98 per cent of whom were disabled persons with very different backgrounds: e.g. young graduates, housewives, and professionals. To assist in their development, the company trained employees and adapted their jobs to their disability, e.g. through ergonomic design of workspaces.

As part of the SIAA project in 2004, Atento Spain signed an agreement with the Adecco Foundation for Integration into the Labour Market with a view to choosing people with disabilities for the Special Employment Centres and establishing future training classes for telephone operators. For 2005, Atento Spain's objective is to promote expansion of SIAA and open a Special Employment Centre in Cáceres.

Source: Corporate Responsibility Annual report 2004. Telefónica. [www.telefonica.es](http://www.telefonica.es).

**Transportation**

A common constraint faced by Roma seeking employment has been the mismatch between the location of Roma communities and job opportunities. Roma often live in segregated areas, frequently far away from commercial or industrial centres. Recognizing this constraint, three companies in the sample offer transport services for their staff. The Hungarian Post offers a bus service to take employees from Hatvan and Szolnok to the logistics centre in Budaörs. Svik offers to pay for travel expenses for qualified staff. Electrolux also offers a bus service to pick up workers from surrounding villages. While this service benefits all employees, it particularly benefits Roma.

*A common constraint faced by Roma seeking employment has been the mismatch between the location of Roma communities and job opportunities*

**Accommodation**

The Hungarian Post offers the opportunity for its employees to stay at its worker hostels (owned or rented by the company). Although worker hostels are open to all employees, Roma are the primary beneficiaries. The Hungarian Post also offers interest-free loans for housing of up to HUF 800,000 (approximately Euro 3,200). Svik also says that it helps with accommodation costs to get qualified staff.

In addition to the above-mentioned support services, Svik has developed a broader array of incentives that it believes help to retain qualified Roma employees, including: summer camps, payments of interest charges on loans and kindergarten fees.

**3.4 Local Roma community relations**

In Section 3.2 above, we highlighted the critical role played by local Roma associations/schools in providing a forum for companies to recruit suitable Roma employees. Often, companies' relations with a Roma association help to improve ties with the community as a whole. Equally, where companies have invested in building strong links to local Roma communities, this seems to have enhanced trust, and helped companies attract qualified and committed staff. Examples of compa-

## Box 6:

**ROMOR project – a wider vision for combating discrimination**

The ROMOR project was established by Svik, a textile company in Slovakia that employed more than 300 Roma from 1993–2003. The project aims to improve the quality of life and employment prospects of the Roma. Thanks to the project, every third employee in the Svik factory is Roma.

The Director's commitment to the Roma goes back to his childhood. Many of his friends were Roma. He wanted to employ Roma at the company, but skilled workers were needed. Therefore, he approached the headmaster of the local clothing trade school to provide the necessary skilled labour. Together they started educating qualified workers predominantly with a Roma background. Today 60 per cent of the school's students are Roma. The close links between the school and the factory has ensured the smooth and successful integration of the Roma into the local labour force.

The ROMOR project serves as proof that, even without government support, Roma can find jobs. The project also aims to change the stereotypes of and prejudices against Roma, as well as to show that a project like this can be established in small villages.

In the future the ROMOR project plans to help Roma establish production enterprises, such as for baby clothes, with donations of scrap material from Svik's factories.

The Director of Svik received an award (2003) from the Bratislava Economic Club for the ROMOR project.

Source: <http://www.rml.sk/modules.php?name=News&file=article&sid=895> (Project ROMOR as an example that Roma can and should be taken into account, *Romano nevo lil*, March 2004).

panies that have invested in building strong local community relationships include:

- **Freesoft** – Strong collaboration with the 'Family Support Centre', a local Roma organization.
- **Obnova** – The Managing Director set up the civil association *Rómska Obnova Horného Šariša* that focuses on retraining young Roma employees.

## Box 7:

**Attempts by business to engage government**

Since the early 1990s the CEO of ABB has sought to improve the situation of the Roma and to combat discrimination in Hungary. After working for decades in the United States, he found discrimination against Roma in Hungary similar to that against African Americans in the 1950s. As chair of the American Chamber of Commerce (AM CHAM) and the European Round Table, he introduced equal opportunity employment and affirmative action in Hungary. In addition to seeking to build business awareness of the problem within the business community, the CEO found it vital that the government address the issue more actively.

Specific activities include:

- He organized a conference for businesses and government representatives to present American experiences and achievements in the area of equal opportunities and affirmative action.
- He cooperated with member companies of AM-CHAM to apply equal opportunity employment in their recruitment.
- He discussed with government ministers and high-ranking officials the importance of equal opportunity employment and affirmative action with regard to Roma.

Although the government showed great interest in the issue, little concrete action has followed.

- Svik – The company launched its ROMOR project to help local Roma integrate both into work and broader Slovak society. Apart from links to local vocational schools which helped the company recruit qualified staff (see discussion under Section 3.2 above), a key element of this project is to support locally-based Roma textile businesses (see Box 6).
- Whirlpool Slovakia – Cooperation with the Roma community in Gánovce, a small village near the city of Poprad, largely includes sourcing unskilled labour. The company also supports local summer camps.
- Czech TV – While Czech TV does not have concrete ties to local Roma communities, it has made efforts to raise public awareness of Roma issues by running TV programmes on Roma communities.
- ABB – The CEO of ABB in Hungary has held high-level talks with the government to promote policy changes that address Roma discrimination in the workplace (see Box 7).

## 4 Outcomes



4.1 Roma employment

The approximate share of Roma in company workforces is shown in Figure 1. The average for the sample is 8 per cent. These are estimates only. Companies do not keep formal records of ethnicity, nor are they allowed to. The estimates include companies’ total permanently employed staff. Subcontractors/suppliers are not included. The majority of companies interviewed have 10 or fewer Roma employees. Obnova and Svik, both in Slovakia, were the largest employers with Roma accounting for about 25 per cent of staff.

4.2 Job profile

The majority of companies interviewed (8 out of 13) hired Roma as unskilled labour. Seven companies employ Roma in skilled positions, and four in managerial positions. The latter group includes Krypton and Obnova, both of which are owned and run by Roma (see Box 8). Companies employing Roma in skilled or managerial positions are listed in Table 2.

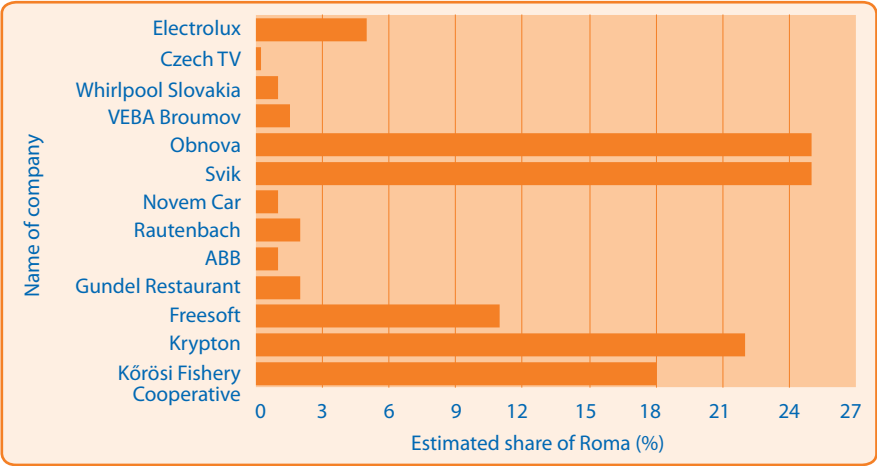
It should be remembered that this sample is not representative, since companies involved in the survey volunteered to participate, often because of their proactive approach to Roma employment. The results, nonetheless, illustrate the potential for Roma to join the ranks of senior management.

*The results, nonetheless, illustrate the potential for Roma to join the ranks of senior management*

4.3 Productivity

Companies do not keep track of the productivity (i.e. output per hour) of Roma versus non-Roma employees. Nevertheless, 85 per cent of companies state that there is no perceptible difference in the level of productivity of Roma versus non-Roma. A few interviewees highlight that – due to lower levels of education and experience – Roma staff often require

Figure 1: Estimated share of Roma on staff (%)



Note: Hungarian Post did not provide an estimate.

*However, once they have been in the job for a while, their performance matches that of other staff*

supplementary training at the start. However, once they have been in the job for a while, their performance matches that of other staff.

Apart from focusing on the productivity of Roma themselves, it is important to consider how the employment of Roma may affect the productivity of the workforce as a whole. Where Roma increase tensions in the workforce, or undermine teamwork, the externalities may be negative. Where the employment of Roma improves the staff dynamic and stimulates innovation, the externalities may be positive. The CEO of ABB in Hungary makes the point that a more diverse workforce actually makes a company more successful. *“I worked 31 years ago in New York on a bridge construction and we had to meet the 7 per cent quota (for employing minorities). My chief engineer was from India and my secretary was black. Our team cooperated fantastically; we were very successful.”* The issue of workplace tension is touched on below.

Table 2: **Skilled or managerial positions held by Roma staff**

Skilled	<ul style="list-style-type: none"> <li>• Krypton (SK) – administrative position</li> <li>• Obnova (SK) – basic manual /administrative position</li> <li>• Rautenbach (SK) – iron foundry and support services; foreman</li> <li>• Svik (SK) – tailors</li> <li>• Czech TV – news presenter, programme presenter, reporter</li> <li>• VEBA (CZ) – skilled positions (seamstress, weavers, warehouse staff)</li> <li>• Novem Cars (CZ) – grinding, polishing, assembling</li> </ul>
Managerial	<ul style="list-style-type: none"> <li>• ABB (HU) – 1 person (2 left for better jobs)</li> <li>• Krypton (SK) – general Director is Roma &amp; managerial</li> <li>• Obnova (SK) – general manager is Roma</li> <li>• Novem Cars (CZ) – chief polishers (70 subordinates)</li> </ul>

#### Box 8:

#### **Krypton and Obnova: Roma-owned companies in Slovakia**

##### **Krypton**

The director and majority owner, who is of Roma origin, took over this construction company from his father at the beginning of the 1990s. The company employs about 60 people, out of which 13 are Roma. The director runs the company and takes part in the recruitment process. He treats Roma and non-Roma equally. Likewise, he does not allow any discrimination at the company. An employee's performance determines his or her success at the company.

##### **Obnova**

A Roma entrepreneur established the company in 1991 and since then it has become one of the biggest employers in the northeastern part of Slovakia. The Roma entrepreneur, who is now the company's Director, already had experience in the construction business before he set up the company. The Director plans to expand production and provide about 400 more jobs, out of which 100 would be for Roma. He supports his employees by contributing to their travel expenses, sponsoring trips, and providing loans at below-market interest rates. He also contributes to the wedding expenses of his Roma employees, supports their university studies, buys wood for their communities, and provides transportation services and waste removal.

In addition to providing employment for the Roma, the director of Obnova plays an important role in the life of the local community. He set up Rómska Obnova Horného Šariša, a civil association that retrains young Roma in preparation for employment at the company. He built a church for Roma in the village of Postarka, and he helps families who have lost their breadwinners.

## Box 9:

**Some perspective on discrimination in the workplace**

Whirlpool employees in Slovakia reported: “Other people judge us based on their bad experiences with some Roma. After we started working here and colleagues recognized that we are good workers and nice people, they began to count on us.”

A Roma employee in Hungary, also a local government representative, expressed similar views. However, he stressed that discrimination does occur in the broader community. Although Roma may do the same work, in terms of quantity and quality, as a non-Roma, Roma often earn lower salaries. With the same qualifications a non-Roma can rise to a higher position.

In the case of Electrolux, employees reported a relatively high level of job satisfaction and worker morale. The same is true for Freesoft, where employees reported that they liked their jobs. At ABB, a Roma employee was promoted into senior management and reported that he was very satisfied with his job. In Slovakia and the Czech Republic employees voiced similar views.

These examples illustrate that once employers take steps to hire Roma, the often-cited barriers (lack of education, discriminatory attitudes, etc.) frequently disappear and Roma become a well integrated part of the company.

**4.4 Tensions & discrimination at work**

Five companies did not respond to questions about tensions or discrimination in the workplace. On the whole, those who did respond said that there was no tension within the company concerned, though they said that discrimination did occur outside. Roma employees who were interviewed generally confirmed this view. In some instances they highlighted that, while they may have experienced some discrimination at the start, once they established themselves as hard workers, such prejudice dissipated (see Box 9).

These results, however, should be treated with caution for two reasons. First, as highlighted by one Head of Human Resources in Hungary, senior managers often are not in a position to know whether Roma are experiencing discrimination ‘on the shop floor’. A Roma employee supported this view, praising senior management, but added that he still experienced prejudice from lower-level managers. Second, Roma employees may be reluctant to criticize their employers.

*In some instances they highlighted that, while they may have experienced some discrimination at the start, once they established themselves as hard workers, such prejudice dissipated*

**4.5 Local Roma community relations**

Three companies emphasized that they have strong relationships with the community:

- Freesoft (HU) – Good contact with local Roma organizations helps recruitment (see Box 2).
- Obnova (SK) – A range of community activities, including financial support for families in distress, for education (e.g. university), travel expenses, and the provision of low-interest loans. Other specific support has included: waste collection, contributions for wedding expenses and the construction of a church for Roma in Postarka.
- Svik (SK) – see description of the ROMOR project in Box 6.

However, as highlighted in Section 3.2, employment remains companies’ strongest tool to assist Roma communities. Company managers – those who are personally committed to tackling Roma deprivation – can also lead additional charitable activities. In many cases, these actions have positive externalities for the company, through improved recruitment, motivation and retention of Roma staff.

## 5 Benefits of employing Roma

Understanding the benefits and costs facing companies that employ Roma is an essential first step for drawing up best-practice recommendations for companies and designing policy recommendations for governments. This section and Section 6 set out in broad terms preliminary findings with regards to linkages between Roma employment and companies' performance. The information provided here reflects the opinions of those interviewed. No attempt has been made to filter out issues that may be deemed politically incorrect. The aim is to get an accurate understanding of how companies perceive the business impact of Roma employment.

## 5.1 Big picture challenges

In the Introduction to this Report under "Why business should be interested", we laid out some 'big picture' challenges facing CEE companies with respect to Roma. In short, Roma already make up the largest – and most deprived – minority in the region. In Hungary, Slovakia and the Czech Republic, Roma make up between 5-10 per cent of the total populations. And these populations are growing much faster than the national average. According to some estimates, by 2050 Roma will account for over 20 per cent and 35 per cent of the Hungarian and Slovak populations respectively.<sup>24</sup>

Such demographic shifts have significant implications for countries' labour pools, consumer base and social stability. Such 'big picture' challenges are not lost on the business community: over 60 per cent of companies interviewed perceived such shifts to be the most important driver for action, and a reason that social responsibility is not only a governmental issue but in the long-term interest of companies.

For ABB's CEO, the risks are clear: *"If no action is taken, the negative consequences will destroy society."*

The Head of Human Resources at Whirlpool Slovakia echoes these concerns: *"The motivation is to show the region that the company is doing something for the Roma people. The company is trying to teach the Roma people how to integrate into work processes and become socialized. The decision to employ Roma people was based on demographic curves that are derived from statistical data on population trends."*

The Deputy CEO at the Hungarian Post says, *"The most important reason for promoting minorities, Roma and the disabled is that we want to be socially responsible and provide a good example, being a large company and large employer. We deliberately developed and implemented the policy."*

## 5.2 Local Roma labour pool

For Freesoft, Svik, VEBA and Novem Car Interior Design, a key motivation for employing Roma is that they make up a significant share of the local labour pool, and they are often available in a tight labour market.

*Understanding the benefits and costs facing companies that employ Roma is an essential first step for drawing up best-practice recommendations for companies and designing policy recommendations for governments*

<sup>24</sup> GeoHive and SEEL (2003) (see [www.seel-tesis.com/rep105.htm](http://www.seel-tesis.com/rep105.htm)) cited in European Committee on Romani Emancipation. 2003. "The impact of special schools on the Roma in Central Europe". Brussels.

In the case of Freesoft, it chose to locate its data recording operation in Bátonyterenye because of its high share of Roma. According to Freesoft's director *"Freesoft did not intend to set up a profit-oriented business, but to prove that it can establish a data recording centre with Roma employees that works"*. According to the President, additional considerations for locating the operation in the area and targeting Roma was that they represented relatively cheap labour, and the company expected to receive government subsidies to cover additional costs associated with training as well as for operating costs, e.g. rent (the issue of government subsidies is dealt with below).

Novem Car Interior Design has quite different reasons for employing Roma. It is located close to the German border and very close to Pilsen, the home of its mother company and customers. But the region suffers from labour shortages. According to the Human Resources Director *"The company needs employees – that is the only incentive for recruiting Roma people. If any business needs an employee it should make no distinction between people if they meet their qualification requirements."*

### 5.3 Higher productivity & quality

As was highlighted in Section 4.3, virtually all the companies interviewed indicted that, after sufficient training and orientation, Roma were no less productive than their non-Roma counterparts. Freesoft also suggested that Roma staff are often more highly motivated since they want to prove they can be as good as non-Roma. According to the supervisor:

*"There is no difference in the performance of Roma versus non-Roma. However, their habits, culture and attitude towards life strongly influences their work. Their commitment to go to work every day, be there on time and work for eight hours were difficult for some of the Roma. Once they have a job like this they appreciate it much more than non-Roma."*

Interviews with Roma employees indicate that scarce job opportunities in their home villages and the fear of being unemployed in the long term are also very important incentives for Roma to perform well in the workplace.

The CEO of ABB also observed that diversity in the workforce can stimulate higher productivity. However, this comment was based not on experience in Hungary, but on experience with positive discrimination in the United States.

### 5.4 Government subsidies and unemployment benefits

Government subsidies to promote Roma employment exist in various forms. In many cases these subsidies are not specifically targeted at Roma, but more generally at tackling long-term unemployment. For the most part, companies interviewed for this project dismissed these subsidies as bureaucratic and impractical. Moreover, several companies pointed out that government social assistance benefits

*All the companies interviewed indicted that, after sufficient training and orientation, Roma were no less productive than their non-Roma counterparts*

act as a significant disincentive to work for Roma and undermine the subsidy system.

In contrast, however, one of the critical factors behind Freesoft's decision to go ahead with its data recording operation in Bátonyterenye was its expectation that it would receive government subsidies from the Ministry for Information Technology and, more recently, from the EU's EQUAL programme. The government funding of Freesoft covered the supply of equipment (15 PCs) and wage costs of 15 employees for six months (see Box 2). EQUAL provides 100-500,000 EUR for each project, covering the bulk of the costs.

## 6 Barriers to Roma employment



Companies interviewed for this report identified many barriers to Roma employment. Top of the list is the lack of requisite education/skills. The lack of 'work ethic' came next. Prejudice by staff and customers, lack of mobility, poor hygiene and excessive government unemployment benefits are also identified as important constraints to hiring Roma. Each barrier is discussed below.

## 6.1 Lack of appropriate skills/education

Every company interviewed identified the lack of appropriate skills and/or education as a key barrier to Roma employment. Low levels of education/skills translates into higher training and induction costs for Roma staff. The skill shortage is particularly acute at the managerial level, where university graduates are sought.

Moreover, where greater investment needs to be made in Roma employees, companies point out that they then require more certainty that the beneficiary will stay with the company. High levels of staff turnover amongst Roma employees weakens the incentive to invest in additional training.

*Every company interviewed identified the lack of appropriate skills and/or education as a key barrier to Roma employment*

## 6.2 Lack of 'work ethic'

The lack of 'work ethic' is a common theme for most of the companies interviewed. In broad terms work ethic refers to the willingness and ability of staff to be punctual, reliable and work hard according to existing norms, e.g. an eight-hour day, or existing work shifts. Companies point to the tendency of Roma staff to work irregular hours and to be absent frequently.

Some companies hold certain attitudes about the cultural differences of Roma (e.g. commitment to family over work), while others point to the lack of 'socialization', or experience with working regular hours. Box 10 highlights a few perspectives on the problem of 'work ethic'.

It should be stressed that several members of senior management interviewed expressed stereotypical views e.g. "Roma are different" or "they need to learn more hygiene". These stereotypes colour views of the Roma 'work ethic'.

Roma employees at the Kőrösi Fisheries Cooperative said that family background plays an important role in determining success in the labour market. In those families where parents work regularly, children internalize a similar ethic.

*In those families where parents work regularly, children internalize a similar ethic*

## 6.3 Prejudice of staff and/or customers

Deeply ingrained prejudice against Roma is a critical obstacle to Roma employment. While only a few company managers interviewed admitted to prejudice within their organizations, all acknowledged that prejudice existed in the broader community. In some cases they spoke frankly about the internal challenge as well.

Two major forms of prejudice represent barriers to Roma employment: (1) prejudice from other staff and/or management; and (2) prejudice of customers.

In the case of the former, prejudice can mean that employing Roma undermines staff morale and reduces overall productivity. According to

*Even when the upper management is committed to a policy of non-discrimination, at lower levels strong resistance still prevails. While having a written policy helps, the policy has to be 'applied'*

the CEO of ABB in Hungary, even when the upper management is committed to a policy of non-discrimination, at lower levels strong resistance still prevails. While having a written policy helps, the policy has to be 'applied'. The prevailing mentality concerning Roma will only change over time, and prejudice must become socially unacceptable. He thinks that change may occur over 30-40 years, so it is a very slow process.

In the case of customer prejudice, employing Roma may lead to lost business. According to Freesoft's President, prejudice against Roma made it more difficult for the company to win contracts. The Executive Director reinforces this message:

*"At first the clients are interested, Freesoft offers a digitalisation service at a good price. Freesoft is rejected, however, once the client is informed that Roma will do the job. The good references Freesoft and the centre already have, as well as the fact that Freesoft guarantees the quality of the work, are not enough to get contracts. The only way to get work is through good relationships."*

#### Box 10:

#### What employers say about the 'work ethic' of Roma staff

Freesoft – *"Difficulties with Roma employees were mainly due to the fact that these people were unemployed for many years and it was difficult to get used to regular work starting every day at the same time, doing the work for eight hours, etc. Their habits, culture and attitude towards life also strongly influence their work. The commitment to go to work every day, be there on time, work for eight hours was difficult for some of the Roma."* But in this case, Roma adjusted successfully to the requirements of the company after a while and only a few dropped out.

Whirlpool Slovakia – *"The Company employed 25 Roma people last year. About 11 people left or were made redundant because of their inability to develop regular work habits. Although they had very good performance evaluations in terms of quality of output, sometimes they did not come to work, which was not acceptable in the production lines."*

VEBA – *"Roma employees (especially women) don't like working in shifts. After rearranging production and starting shift work a few years ago, some Roma left. Our Human Resources people think it's because of families and Roma's traditional approach to family life."*

## 6.4 Lack of job applicants

Another recurring barrier highlighted by interviewees was the mismatch between the location of Roma communities and jobs. This is essentially the flipside of the situation described in Section 5.2, where Roma are predominant in the local labour pool. Due to the geographic separation of Roma communities, location is a critical determinant of whether or not Roma can be employed.

For example, in Hungary 60 per cent of Roma live in separate settlements where lack of transportation and lack of information on vacancies further exacerbate their plight.<sup>25</sup>

<sup>25</sup> Lukács György Róbert: Roma labour market programmes and their environment (Roma munkaeö-piaci programok és környezetük) in Kisebbség kisebbsége. Edited by Neményi Mária és Szalai Júlia UMK 2005 Budapest.

## 6.5 State social assistance benefits

The disincentive effects of state social assistance benefits are emphasized by Svik and VEBA. According to the CEO of Svik *"Unemployed people, who receive the social assistance benefit from the state / government, are not willing to work."* Senior management at VEBA echo this view: *"Nowadays it is much more difficult to find a Roma who wants to work. Roma people mostly lack education; that is why they are offered mostly unskilled jobs. As these pay less than what can be obtained from the State (social benefits) they refuse the jobs offered to them and remain unemployed."*

For many Roma, state social assistance benefits tip the balance against work: the costs of working (e.g. travel, child care, effort) outweigh the benefits.

## 7 Conclusions and recommendations

This report has highlighted a selection of business perspectives on different aspects of Roma employment. These perspectives come from narrative interviews with senior management and Roma staff in 14 companies in Hungary, Slovakia and the Czech Republic.

Underpinning this report and the recommendations that follow is a realization that the problem of Roma unemployment and marginalization cannot be left to the government alone to solve, but requires a concerted effort on the part of the business community and Roma organizations. While the sample is small, the information provided offers a valuable platform on which to initiate dialogue with companies on their roles and responsibilities in tackling Roma unemployment, and ideally a basis for crafting targeted pilot initiatives by companies.

In this final section we draw out overall conclusions from the preceding text, and put forward some preliminary best-practice guidelines for companies. We also highlight some broad proposals for government policy that could help to encourage Roma employment.

## 7.1 Key conclusions

### *The big picture is key*

Economic growth is rooted in the productive use of labour, physical capital, human initiative and skills and available natural resources. Where any of these inputs are curtailed, economies suffer. Quite apart from the moral tragedy of Roma marginalization, Roma unemployment and under-employment represent an enormous drain on CEE economies. Welfare payments upon which a large share of Roma people depend represent an immediate cost to governments, straining budgets and diverting finance away from more productive uses. The opportunity cost of wasted labour and skills is likely to be even more significant in economic terms, and the resulting social conflict undermines investor confidence. Finally, poor and excluded Roma do not contribute to growth as they could through their own consumption and investment. Pockets of deprivation in areas where Roma congregate indicate how marginalization can negatively affect investment and growth.

Roma populations in Hungary, Slovakia and the Czech Republic are already significant, representing probably between 3-10 per cent of national populations. Given existing growth rates, it is likely that Roma will make up a growing share of the region's populace over time. Some estimates put population shares of Roma as high as 20-35 per cent.<sup>26</sup> In addition, Roma employment impacts tend to be highly concentrated. Unless action is taken to integrate Roma into society and labour forces, the economic repercussions are likely to be significant. Likewise, if Roma can be successfully equipped and brought into the workforce, their integration should boost growth through their own productive efforts, skills, consumption and investment. Lower requirements for welfare spending will free governments to invest in infrastructure and boost growth.

*The information provided offers a valuable platform on which to initiate dialogue with companies on their roles and responsibilities in tackling Roma unemployment*

<sup>26</sup> GeoHive and SEEL (2003).

Understanding this big picture is key for businesses as well as governments. And the message is not just negative. Companies must act not just to avoid a downward spiral in investor confidence and skill shortages, but to make the most of a rapidly growing segment of the labour and consumer markets. While much attention is currently focused on the 'negatives', those who take the initiative to make the most of emerging opportunities may find surprising rewards.<sup>27</sup>

Based on responses to interviews held for this project, the significance of these macro-trends is appreciated by some business leaders. Indeed, for a few (including Freesoft, Whirlpool, ABB, Hungarian Post), these challenges lie behind their efforts to target Roma in their business operations. While such 'big picture' thinkers are unlikely to be in the majority, more could be done to spread some basic messages to business leaders, and engage them in dialogue on how companies might realistically respond.

### ***Diversity policy is important, but not sufficient***

A clear message from this study is that, while having a policy on equal opportunities or diversity might help to build awareness of these issues in general, if it does not specifically address Roma discrimination its impact is likely to be weak. Moreover, having a policy alone will make little difference if it is not backed up by a concerted programme for implementation.

An interesting case is that of Whirlpool Slovakia, which has repeatedly won national prizes for its family-friendly practices and promotion of women in the workplace. For Whirlpool, these prizes are indicators that their equal opportunities policy is a success. And yet, the issue of Roma, remains 'sensitive', and there are no specific programmes or initiatives to boost Roma employment. While there may be flexibility to allow for the specific needs of, say, young mothers, there is little indication that businesses are ready to respond to specific challenges Roma employees may be facing due to the nature of their marginalisation. So, even with a diversity policy, the problem of Roma discrimination may not be adequately addressed.

*Even with a diversity policy, the problem of Roma discrimination may not be adequately addressed*

### ***Managerial leadership is key***

The CEO of ABB in Hungary speaks forcefully about the central role played by senior management. Unless management sets the tone and leads its staff, it is very unlikely that deeply ingrained prejudices against Roma will be effectively challenged. Risks must be taken to employ Roma, particularly at a managerial level, and only management can take these risks, and encourage other staff to work with the new staff. Only once people gain personal experience of working with Roma peers can prejudices be broken down. The leadership shown by the President of Freesoft offers a valuable role model.

<sup>27</sup> A significant body of work now exists on the opportunities that exist for companies that seek to provide goods and services to the poor. This work follows in the footsteps of C.K. Prahalad, "The Fortune at the Bottom of the Pyramid".

### ***Companies should work with new partners to find suitable recruits***

Every company interviewed for this study stressed the vital importance of education. Work experience and ‘work ethic’ are also repeatedly highlighted by businesses as key barriers to Roma employment, and as a key constraint preventing Roma from rising to managerial positions.

While this message is not surprising, what is interesting is how the problem of poor qualifications/working habits is being tackled by companies themselves. A common theme was that companies have established links with educational establishments in Roma areas, or with Roma organizations themselves, to help train potential candidates, and then help the companies select the most suitable individuals for jobs. The system seeks to ensure the quality of new staff, and reduce the risks that new recruits will leave quickly. Also by building links with local organizations, companies can enhance their reputation, and attract the most qualified and motivated staff.

Overall, while companies continue to argue that education remains a government responsibility, the more proactive have recognized that governments are failing to deal with the problem. In these cases some of the companies interviewed are finding innovative and practical solutions (see Section 3.2 for a discussion of innovative recruitment/education methods). Their experiences – successes and failures – offer potentially valuable lessons for others.

### ***Tackling prejudice head-on – promoting role models***

Prejudice against Roma needs to be made socially unacceptable. In too many places, and too many companies, prejudice remains acceptable and even normal. Changing attitudes will take years, and perhaps generations. But the speed of change will depend critically on whether or not a concerted effort is made to educate and inform people about Roma.

Of particular importance – and a theme identified by three of the companies interviewed – is the existence of role models. While people may be told that discrimination is wrong, until they see for themselves that Roma can be educated, successful and assets in work teams, perceptions will be slow to change.

Companies have a key role in this public education campaign. By challenging stereotypes in their employment practices, e.g. promoting qualified Roma to managerial positions, and through the way they treat and portray Roma consumers (e.g. through the inclusion of successful Roma in advertisements), companies can ensure that they do not tolerate discrimination or prejudice in the workplace.

The media industry can play a particularly significant part in tackling prejudice. Czech TV offers some useful insights on how the media industry might rise to the challenge. Led by the News Director, Czech TV sought out three qualified Roma staff to be news reporters and presenters on TV. The aim was to provide positive role models for Roma, and to challenge preconceptions amongst non-Roma.

*By building links with local organizations, companies can enhance their reputation, and attract the most qualified and motivated staff*

*The media industry can play a particularly significant part in tackling prejudice*

### **Location and transportation**

The mismatch between the location of Roma communities and jobs is an important determinant of employment prospects for Roma. Electrolux, Svik and the Hungarian Post in this sample have sought to tackle the problem by providing a regular bus service for employees. Financial support for local accommodation is another possible tool.

### **Government employment and unemployment policies failing – but government can play a role**

The pros and cons of government policies to promote Roma employment is the subject of parallel research by UNDP as well as the ERRC (see brief description in the Introduction). Nevertheless, it is worth highlighting here the business perspective. A recurring theme highlighted by companies interviewed is the failure of government policies to encourage Roma employment. In some instance, companies have claimed government subsidies are a barrier to Roma employment. Two sets of policies are broadly criticized:

- Subsidies to companies to employ the long-term unemployed; and
- Generous social assistance payments.

While the former should in theory benefit Roma unemployed (even if Roma are not the sole target), in practice they are criticized for being overly bureaucratic and too costly to access. The latter act as a direct disincentive to work, particularly for unskilled Roma who have low earning prospects.

But this is not to suggest that government cannot play a positive role. Freesoft interviews indicate that government support for enterprises can be critical (see Box 2). Combining available subsidies from both governmental and EU (e.g. Structural Funds) may help to kick-start employment of Roma, especially in regions that are not attractive to business at present.

### **Need to learn from international experience**

For companies seeking to introduce and implement diversity policies, the lack of practical guidance represents a serious constraint. The subject is new for most companies, and the challenges seem immense. Experiences with implementing similar policies targeting disadvantaged groups in other countries offer potentially valuable lessons. The United States, South Africa, and many Western European countries have all tried and tested various approaches, with different experiences. While it is unlikely that one single approach will be suitable for every country in CEE, or easily transferable from outside CEE, it is probable that mistakes could be avoided and valuable insights gained from international lesson-sharing.

## **7.2 Preliminary best practice guidelines for business**

Employers and managers who were interviewed for this study were specifically asked to make suggestions for businesses who would like

*Combining available subsidies from both governmental and EU (e.g. Structural Funds) may help to kick-start employment of Roma, especially in regions that are not attractive to business at present*



to employ Roma. Not all respondents answered the question, preferring instead to make recommendations for government action (e.g. to tackle poor education, to improve working habits, to employ the unemployed). Those who did, however, offer valuable suggestions. In addition, clear recommendations can be derived from earlier points made by companies about barriers and benefits.

In what follows, we synthesize the main suggestions for company practice. This list is not intended to be comprehensive, nor final. Rather it seeks to highlight practical steps companies might take and provide a basis for further discussion and research.

### **Define policies & practice: target Roma discrimination**

Equal opportunity policies need to explicitly highlight the challenge of Roma discrimination. Reproducing generic equal opportunity policies from parent companies in Western Europe or North America is not an adequate basis for implementation. These policies need to be modified to focus on the most important challenges faced by companies in CEE, and most often this should include Roma discrimination.

Specific targeting should flow directly from an internal discussion about the equal opportunity policy and its relevance for the company concerned. Such an internal discussion, anyway, is to be recommended when introducing an equal opportunity policy. Companies need to determine which are its greatest challenges, and define practical steps for implementation. With respect to the latter, clearly defined objectives and measurable indicators of success are essential ingredients to monitoring implementation. Finally to support the above, companies should invest in relevant training for HR departments on non-discrimination practices.<sup>28</sup>

*Companies should invest in relevant training for HR departments on non-discrimination practices*

### **Lowering hiring costs and risks & raising standards: Building local partnerships**

A recurring theme for companies is low levels of education and work experience amongst Roma candidates. While most companies continue to see education as the responsibility of government, companies can also be proactive, particularly by offering industry-specific training.

Based on the experiences of those interviewed, an innovative model for combining training with candidate selection involves companies building links with local Roma and/or educational establishments. In return for company support, these associations can help to ensure adequate qualifications and screen candidates on behalf of the company. Local labour offices should act as intermediaries between businesses and Roma communities. The arrangement reduces transaction costs and risks associated with searching for and identifying qualified employees. Moreover, the investment in educational/local organizations can enhance a company's reputation locally, and help to attract the most qualified and motivated candidates.

*While most companies continue to see education as the responsibility of government, companies can also be proactive, particularly by offering industry-specific training*

<sup>28</sup> The International Labour Organisation's (ILO) regional office for CEE has compiled a course on non-discrimination and equal opportunities for HR Directors. The programme will be available in late 2005.

*Companies should seek to minimize the use of short-term contracts that place Roma in an insecure position*

### **Support integration**

Wherever possible, training and induction should be conducted for all staff, and an effort made to ensure Roma employees participate. Contracts and conditions between equivalent grades of staff should be the same. Companies should seek to minimize the use of short-term contracts that place Roma in an insecure position.

In many cases, Roma may require additional assistance integrating into the workforce. Specific challenges surround education/skills, 'working ethics', and location/transport. A number of methods may be used to address these problems:

- Additional training to fit with job requirements;
- A specially designed induction package to help new recruits settle in. It should be clear about expected 'working ethics';
- Support with transport (e.g. provision of bus service) or local accommodation (e.g. support for apartment rental, letter of recommendation).

While Roma have special needs - rooted in their prior lack of access to education, work experience and accessible accommodation - treating Roma staff differently could potentially exacerbate racial tensions. Roma staff may be seen both as laggards, and unfairly gaining from company benefits. This issue is extremely important, and requires greater investigation. Lessons may be learnt from measures used to integrate women or other minority groups into workforces. Finding the right combination of support and flexibility can help ensure that companies get the most out their staff.

### **Promote senior management & staff awareness**

As long as prejudice remains commonplace, discrimination will persist. Companies can play a role internally with building awareness about the benefits of diversity, and a greater understanding about Roma customs and culture. Big picture themes should be discussed, along with the implications of demographic changes for companies' business models. This should not be seen as just a 'classroom' exercise, but should be reinforced through team-building activities which involve Roma and non-Roma staff working and socializing together.

### **Promote role models**

The importance of role models should not be underestimated. By identifying capable candidates and promoting them to suitable managerial positions, companies can make a statement about their confidence in Roma staff to reach senior positions through hard work. This can also be an opportunity for Roma to challenge preconceptions and prove their capabilities.

### **Engage in dialogue – establish a business discussion forum**

Many companies in CEE are struggling to understand their roles in tackling Roma unemployment, and what they can do to move

*By identifying capable candidates and promoting them to suitable managerial positions, companies can make a statement about their confidence in Roma staff to reach senior positions through hard work*

forward.<sup>29</sup> Besides, neither government officials nor CEOs are fully aware of the magnitude of the problem. Businesses would gain much from the establishment of a forum for sharing experiences. Ideally, such a forum would bring together business leaders, key thinkers in government and academia, as well as Roma representatives with business experience.

*Businesses would gain much from the establishment of a forum for sharing experiences*

### 7.3 Recommendations for government

Overall, companies were more forthcoming with suggestions for government action than for action by themselves. This is itself rooted in the prevailing view that the 'Roma problem' is a government problem. Without going into too much detail, since the issue of government policy is dealt with under parallel UNDP and ERRC studies, key areas for government action highlighted by businesses include:

- Education – for all ages. In the case of universities, the government should consider introducing quotas for Roma students.
- Public tenders should positively discriminate in favour of companies with appropriate equal opportunities practices, and even in favour of companies with a certain quota of Roma employees.
- The public sector should employ equal employment practices and promote non-discrimination in the private sector.
- Promotion of closer links between local employment agencies and business. Labour offices should more actively cooperate with business to meet local employment requirements and find suitable Roma candidates.
- Requirements for affirmative action by business.
- Media/public education campaign to challenge prejudice.
- Development of best practice guidance for companies.
- Reform the system of social assistance benefits to reduce dependency elements and increase incentives to enter the labour force.
- Reform the current system of incentives to take on long-term unemployed, to reduce bureaucracy and improve Roma targeting.

The above recommendations do not necessarily reflect a consensus, but a summary of proposals made by managers interviewed.

### 7.4 Final note

This report synthesizes information provided from interviews with 18 employers/managers and 18 Roma employees in Hungary, Slovakia and the Czech Republic. In total 14 companies were included from a range of sectors, including small entities and multinational enterprises. A case study was also undertaken on a company in Spain to explore lessons from efforts to integrate and employ disabled employees. The sample is small and does not provide a basis for final conclusions or definite recommendations. Nevertheless, it offers a platform on which to initiate dialogue within the business community about the challenge of Roma

<sup>29</sup> In Hungary, businesses joining the Global Compact initiative have made Roma employment and non-discrimination a priority area.

employment. It also offers some preliminary guidance for companies on how they might better address Roma discrimination.

Perhaps the single most significant message of this study is that companies must give the issue of Roma employment more attention. Not only does the issue affect companies' cost base through the labour market, but it affects the investment climate and the pool of customers to which businesses must sell. Finally, it matters because companies are legally obliged not to discriminate. The sample taken here includes companies that have volunteered to participate, and that are thus likely to be leaders in CEE with respect to Roma employment. Yet, even in these cases, action is mostly modest, and the challenges highlighted large.

This situation needs to be confronted, and companies given guidance on how they can take manageable actions that can have positive spin-offs for their businesses overall. International experience suggests that by drawing on a broader labour pool, companies can attract more talent at affordable costs. By investing in retaining, training and motivating Roma employees, problems around 'work ethic', poor skills and absenteeism can be significantly reduced. Indeed, as the Freesoft President emphasises, his Roma employees are among the company's most motivated workers, driven by a desire to prove the disbelievers wrong. Greater diversity can enhance creativity and innovation. It can also offer insights and ideas for new markets, e.g. within Roma communities.

But international experience is only a start. Ideas must be shared, evaluated, debated and tested by companies in CEE. This process of analysis and debate is a critical part of increasing business consciousness about the challenges at hand, and building momentum for change. It is hoped that this report can offer a basis for bringing together a forum of business leaders to initiate such a discussion.

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## Appendix

### Copy of employer's survey

#### Roma employment Employers' attitudes survey

##### Interviewer details

Name:	Tel:
Position:	Email:
E&Y office:	Date of interview:

##### Confidentiality clause

All information returned to Ernst & Young in this questionnaire will be used as part of an internal research effort to calculate the costs and benefits of Roma employment, and as a basis for developing best-practice guidance on Roma employment practices for companies. The information may be shared with the project's co-sponsors, UNDP (Bratislava), but the information will not be passed on to any other third parties without the express permission of the company concerned.

##### Interviewee details

Respondent's name:	Company HQ address:
Position:	Number and Street:
Email:	City and postcode:
Telephone:	Country:
	Main area of business:
Company name:	Number of employees:

### 1. Basic company information

- 1.1. Please tell a few words about yourself. *When did you start working at the company? Why did you choose this company/job? What is the scope of your duties?*
- 1.2. Please briefly introduce the company. *When was the company established? What are the main activities/business areas? How many people are employed? What is the annual turnover? How can you describe the economic standing/situation of the company: growth, stagnation, decline?*
- 1.3. What factors were taken into account when selecting the location of the company in this town/city?
- 1.4. Was it a good decision from a business point of view to set up the business in this town/city? Why?

### 2. Recruitment of employees

- 2.1. How many new people are hired every year (approximately)?
- 2.2. How do you recruit people when new employees are needed due to growth or fluctuation?
- 2.3. Do you have a standard procedure for recruiting new employees? Please briefly introduce the procedure.
- 2.4. What are in your opinion the most important factors in selecting new employees?
- 2.5. What are the most important characteristics of a good employee?
- 2.6. Do you have a standard procedure for selecting new people? Please briefly introduce the procedure.

### 3. Description of company equal opportunity/diversity policy Roma employment policy

- 3.1. Does the company have a policy or any unwritten rules/practice for hiring/employing minorities, Roma or disabled people? If so, since when?

- 3.2. a) How were these rules/guidelines established? Or b) Why do you think your company doesn't have these types of rules or procedures?
- 3.3. How / to what extent are these rules applied in practice?
- 3.4. Please describe the nature (strengths/weaknesses) of the policy; how does it work? (Practical description)

#### **Specific measures to recruit Roma employees**

- 3.5. How do you identify Roma and the measures to ensure that the policy works?
- 3.6. Please describe any steps you take to recruit Roma.

#### **Specific measures to integrate and retain Roma in the workforce**

- 3.7. Please describe the measures for integrating/retaining Roma.
- 3.8. What type of work are Roma involved in?
- 3.9. Do you (regularly) organise training/requalification? Please list the type of trainings.
- 3.10. To what extent do Roma employees participate in these trainings?
- 3.11. What does the company do for the community? How does it work together with the local government? Is there a link to public private partnership?

#### **Outcome assessment of Roma employment measures**

- 3.12. Is there more/less tension between workers? Is there a change in the atmosphere of the company?
- 3.13. Are Roma more attractive to businesses following the introduction of your policy? Are there any positive examples of Roma finding jobs in other businesses following the positive example of your company?
- 3.14. What are in your opinion the externalities of the policy (positive/negative)?
- 3.15. How does the community perceive the policy? Is there a change in the atmosphere of the community?

#### **4. What is your motivation for promoting Roma employment?**

- 4.1. What is the rough estimated percentage of Roma employees within the total workforce?
- 4.2. What served as the incentive for the company to employ Roma? Why could businesses benefit from employing Roma?
- 4.3. What is your opinion about the Roma employees of the company?
- 4.4. Do you think there is a difference between how Roma and non-Roma employees perform their work?

#### **5. What are the largest obstacles you face in employing Roma?**

- 5.1. What do you think are the advantages/disadvantages, obstacles of employing Roma? Why are Roma not sufficiently attractive for businesses?
- 5.2. What are in your opinion the conditions that would be needed to create more jobs for Roma in this town/city? (What would be the role of the Roma within this?)
- 5.3. Would you advise/recommend companies to employ Roma?
- 5.4. Why?
- 5.5. What kind of measures do you think would be necessary for increasing Roma employment / making Roma employment more attractive? What could be done in the short-term, mid-term?
- 5.6. Do you feel there is prejudice against Roma within the company? And within the community (town/city)?
- 5.7. In case of cut-backs, what is the basis for deciding on who will be made redundant? Is there a ranking?

**6. Recommendations for business practice**

- 6.1. Why would you recommend businesses to employ Roma and what measures would you recommend?
- 6.2. What measures could be undertaken by the government and the businesses to support and increase employment – from a business perspective?

**7. Recommendations for government role**

- 7.1. What type of government support would make it easier for businesses to employ Roma in the city/region? At the national level?

**8. Additional comments****Copy of employee's (Roma) survey**
**Roma employment  
Employee's attitudes survey**

1. Please say a few words about your family. How did you grow up? What did your parents do?
2. Where did you go to school? What is your profession (qualification)?
3. Please tell us about your current life, workplace, family, financial circumstances, whether you are appreciated, where you live, your social contacts/relationships, problems, conflicts, successes.
4. How did you get your current job? Where did you work before?
5. Have you ever been unemployed? If yes, for how long?
6. How did your life change after 1989? How many jobs did you have since then?
7. Who helped you to find a job earlier and who helps you now?
8. Please tell us about the company. When did you start working here? What is your scope of duties? Do you like working here? How does your future at the company look?
9. Are you an employee or subcontractor of the company?
10. Do you like your present position/status? Would you prefer another position? At this company or at another one? Do you work in your area of specialty?
11. How do you assess the employment opportunities for Roma in the village or town? In the region?
12. Are you satisfied with your current workplace, job, working hours, position/status, working conditions, salary? Are you satisfied with your life?
13. Are there rigorous rules at the company? Does the company support you? How? Why?
14. What would you change (if you were the boss)? How?
15. Do you think there are any advantages or disadvantages for Roma people? And within the company?
16. Do you feel that you are discriminated against because of your origin? Can you tell us about it?
17. How many Roma do you think work at the company?
18. Who represents their interests/rights? How? Who is your superior/boss? Can we talk to him/her?
19. Is there a trade union at the company? Are you a member of the union? And other Roma?
20. Why do you think the company employs Roma? How helpful (or hostile), correct is the company's management? Could you tell us about it?
21. How do you think other Roma got into the company?
22. What is your main problem as a Roma? For what reasons?
23. With whom do you have contacts in the company? With whom do you not? Why?
24. What are your plans and dreams for the future (in the short-term and long-term)?
25. How much does the company want or is willing to help you realize them?

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