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ROMA INCLUSION AND IMPACT EVALUATION OF TWO MAINSTREAM EU-FUNDED ACTIVE LABOUR MARKET PROGRAMMES

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1. EXECUTIVE SUMMARY

The Budapest Institute evaluated the effects of two mainstream EU-funded active labour market programmes (ALMPs) on Roma inclusion and employment of its uneducated participants. The evaluation was commissioned by the Open Society Foundations (OSF), within the Making the Most of EU Founds for Roma (MtM) initiative. Considering their intended target groups, both selected ALMPs could have covered a substantial share of Roma jobseekers. The evaluation sought to answer two questions: how effectively the programmes actually reached those Roma people who belonged to their target groups; and whether participation in the programmes increased the probability of finding a job.

The *Improvement of employability of the disadvantaged* (SROP 1.1.2)[1] programme targeted various subgroups within the registered unemployed: the uneducated, school leavers, people aged above 50, the long-term unemployed, and those at risk of long-term unemployment. The Roma were not explicitly differentiated as a primary target group; however, they were prioritised within the target groups. The programme provided a personalised combination of subsidies and services, such as labour market counselling, mentoring, vocational training and wage subsidies.

The *One step ahead!* (HRDOP 3.5.3 & SROP 2.1.1) programmes offered general or vocational training to participants who had primary education or less, and in exceptional cases, vocation retraining to those with a vocation considered outdated. Besides training, participants also received a cash transfer during the programme. This programme did not target the Roma either, and contrary to SROP 1.1.2, it did not even prioritise them within the target groups.

The programmes reached only a small percentage of their target groups. Participants are positively selected in terms of their labour market potential: on average they are younger and higher educated than those who were eligible but did not participate in the programmes. However, we cannot tell the reason behind this phenomenon: it may be both self-selection and cream-skimming.

Table 1: Details of the two selected ALMPs

[1] SROP stands for Social Renewal Operational Programme (Társadalmi Megújulás Operatív Program, TÁMOP)

	Improvement of employability of the disadvantaged (SROP 1.1.2)	*One step ahead!* (HRDOP 3.5.3 and SROP 2.1.1)
Programme entry period	2008-2011	2006-2010
Number of participants in the NLO data*	57 894	23 088
Number of Roma participants in the PPR	3 797	n/a
Number of Roma participants – BI estimate**	4 636	2 899
Total budget, million HUF	53 041	18 376
Costs per participant, HUF	916 174	795 911
Found a job[+]	81%	63%
Costs per participants who found a job, HUF	1 131 079	1 263 35
Comparable cost of public works on 2013 prices, months[2]	13.8	15.4

Notes: *Programme entries before Dec 31, 2010. **We calculated the share of Roma population by settlement, summed these ratios, and multiplied them with a supposed bias of the Census data with respect to the Roma surveys. See in detail in Section 4.2. [+]The share of those who found a job during the programme or within 6 months afterwards, as a % of the total number of participants. [++] Number of months spent on public works that would cost the same amount per person. 1 HUF roughly equals 300 EUR.
Sources: Official documents, own calculations based on NLO data and Csite et al (2013) on budgets.

We examined the targeting and effects of the programmes using an individual-level dataset consisting of the unemployment and employment history of the participants and comparable control groups. In particular, the programme participation databases and the unemployment registry of the National Labour Office (NLO)[3] linked with the administrative reports of newly hired employees[4] formed the base of our dataset. However, neither the NLO nor the SHLD data contain information about ethnic origin. We obtained ethnicity data from two sources. First, in the case of the *Improvement of employability of the disadvantaged* (SROP 1.1.2) programme, the official Programme Progress Reports (PPR)[5] included some aggregate data about the proportion and performance of Roma participants. Unfortunately, the PPR of *One step ahead!* (HRDOP 3.5.3 & SROP 2.1.1) programme did not include such data. Second, we used the settlement-level ethnicity data of the 2011 Census to create an individual-level proxy variable showing the probability that the individual is Roma based on the share of the Roma population in their home settlement. This indicator has several shortcomings: it assigns the same probability to each resident of a settlement and it underestimates the number of the

[2] Per an employed person.

[3] In Hungarian: *Nemzeti Munkaügyi Hivatal (NMH)*

[4] These reports are to be sent by employers to the tax authority and form the basis of the Standardized Hungarian Labour Dataset (Egységes Munkaügyi Adattár) (SHLD).

[5] In Hungarian: *Program Előrehaladási Jelentések (PEJ)*

Roma.[6] However, we are not aware of (and had no access to) a better source of ethnicity data.

According to the PPR, the *Improvement of employability of the disadvantaged* (SROP 1.1.2) programme reached 3,797 Roma individuals, which is very few compared to the estimated number of 2-300 thousand potential Roma participants, or to the total number of programme participants (57 894 persons). The programme was least successful in reaching the Roma in Northern Hungary, in Northern Great Plain and in Southern Transdanubia, i.e. in the regions where the number of Roma people is the highest, and where their labour market chances are the worst. Roma women are less likely to participate in the programme than Roma men; their relative position is the worst in settlements with the highest shares of Roma population. The PPR of the programme shows that Roma participants were just as likely to successfully complete their individual programme plans, and even more likely to complete successfully their training, than non-Roma participants, however, 180 days after the programme they were only half as likely to be employed (16 vs. 32%).

The analysis of NLO data on the *One step ahead!* (HRDOP 3.5.3 & SROP 2.1.1) programme revealed that significantly more people were reached by the programme in those settlements with a higher share of Roma in the population. Our data analysis suggests that this programme, due to the target group being the uneducated, might have covered relatively more Roma people than the *Improvement of employability of the disadvantaged* (SROP 1.1.2) programme, which targeted several other subgroups besides uneducated people.

Based on the Roma population of the settlements from where there were no participants in the two programmes, about 3-5% of the entire Hungarian Roma population were completely left out from the *Improvement of employability of the disadvantaged*, and about 16-17% from the *One step ahead!*. As the data suggests, if a programme is bigger in size, it can reach not simply more people, but smaller settlements as well. This is important, because 16% of the Hungarian Roma population live in small villages with less than 1,000 inhabitants. However, in spite of the fact that the *Improvement of employability of the disadvantaged* programme had participants from a large number of settlements where altogether about 95-97% of the entire Hungarian Roma population live, the share of its Roma participants was only about 1.3%.

[6] Level of education could be added to improve our estimate of Roma origin, but this would not help in the present analysis as it is focused on uneducated jobseekers.

We estimated the causal impact of the programmes by matching a comparable control pair to each uneducated participant based on their observable characteristics (demographics and employment history). The effect of the programmes on the probability of employment is large, positive and significant. Because of the lack of individual-level ethnicity data, we cannot measure the effect on the Roma separately. The uneducated participants of the *Improvement of employability of the disadvantaged* (SROP 1.1.2) found a job during the programme or within half a year afterwards with a 44 percentage points higher probability than their comparable control pairs. However, we probably overestimate the effect of the programme, among others due to the fact that control persons may be more likely to work in the grey economy, which we cannot observe. The effect of the programme on the probability of exit to employment is substantial in case of those participants who did not received wage or wage cost subsidy and the long-term unemployed as well.

The *One step ahead!* (SROP 2.1.1) programme increased the probability that its uneducated participants find a job by 34– 40 % points (see

Table 2). 57-71% of the participants entered employment at least once during the programme period or within 6 months after completing the programme. The positive impact of the programme is again very similar for the long term unemployed beneficiaries as well.

The budget of the two programmes exceeded 70 billion Forints (see Table 1) over 4 - 5 years. In per capita terms, this amount is equal to 900 thousand HUF per participant in the *Improvement of employability of the disadvantaged* (SROP 1.1.2) programme and 796 thousand HUF per person in the *One step ahead!* (HRDOP 3.5.3 & SROP 2.1.1) programmes. If we consider only those participants who found a job during the programme or within half a year afterwards, per capita costs amount to 1,131 and 1,263 thousand Forints per person, respectively. This per capita budget would be enough to finance 14-15 months of public works per person, calculated at 2013 nominal prices.

Table 2: The effect of the programmes (uneducated men)

Outcome variables	*Improvement of employability of the disadvantaged* (SROP 1.1.2)		*One step ahead!* (SROP 2.1.1)	
	% of programme participants	% point effect*	% of programme participants	% point effect
Exit to employment during the programme or within 6 months afterwards	76	44	71	41
Exit to employment within 6 months after participating in the programme	40	29	12	10
Exit to employment anytime during the observation period (until Oct 2012)	91	49	85	53
No re-entering into unemployment within 6 months after the programme	49	6	67	40
No re-entering into unemployment anytime after the programme during the observation period	75	22	61	20

Source: BI estimates using NLO and 2011 Census data. *Estimated programme effect based on counterfactual impact evaluation. It shows how the programme affected the probability of finding employment/not re-entering unemployment. For example, the SROP 1.1.2 programme increased the probability of finding a job during the programme or within 6 months afterwards with 44%points comparing to a theoretical case in which participants had not participated in the programme.

We compare these results to public works, which is the typical alternative to personalised ALMP for uneducated workers. However, earlier empirical evidence clearly shows that the effect of public works on reemployment in the open labour market is very small, or in some cases even negative,[7] while the programmes evaluated here increased the probability of employment by more than 40%points. This implies that personalised ALMPs can contribute to increasing employment. Considering their direct as well as indirect effects (health benefits, etc.), they can be cost-efficient on the long run; however, it's not straightforward to estimate their cost recovery period.

We conclude that both programmes significantly increased the labour market potential of the participants. This result is especially striking because we evaluated the impact of the programmes on the most disadvantaged jobseekers, the uneducated only. As we documented, the programmes had a positive effect even without wage or wage-cost subsidy and in case of the long term unemployed as well. However, regarding take up of the Roma,

[7] See overview in Scharle (2011).

the targeting of these programmes could be improved. To learn more about the effects and effectiveness of such programmes in case of Roma people in particular, it would be important to collect and make available individual-level ethnicity data for research purposes about labour market programme participants and the registered unemployed in general. Alternatively, new methods should be developed to estimate ethnicity status using already available data sources. Without individual level ethnicity data it is impossible to evaluate how effectively the programmes reached Roma people.

Based on these results we are convinced that both types of ALMP's should be continued in the next programming period. However, in order to increase access by Roma participants, we recommend restricting the target groups exclusively to those with at most elementary education. However, we do not suggest the introduction of regional or other quotas regarding the participants of the programmes as this would not necessarily improve targeting at the individual level. In the case of training programs such as the *One step ahead!* we recommend employing strict quality assurance measures and teachers/trainers specialized in adult education. The use of educational materials created specifically for adult learners is also crucial. Sensitive scheduling of the trainings is of utmost importance as well: in high seasons of casual work, usually in the summer, potential participants may be less likely to enter and complete training programmes. Lastly, resources should be allocated across regions based on the number of uneducated jobseekers rather than the number of jobseekers, especially if the budget of such ALMPs is reduced in the next programming period.