

8. Inclusive Entrepreneurship – Focus on the Roma Community

This chapter explores how policy measures for self-employment and social entrepreneurship can help support labour market integration among the Roma community in the Slovak Republic. It shows that the Roma community has low participation in self-employment in the formal economy and explores the reasons. It examines current policies to support Roma people in business creation and self-employment and the barriers they encounter when seeking to access government entrepreneurship-related supports. It also examines the potential for social enterprises to provide a pathway to labour market attachment for the Roma population. It offers a series of policy proposals.

Socio-economic conditions of the Roma

History

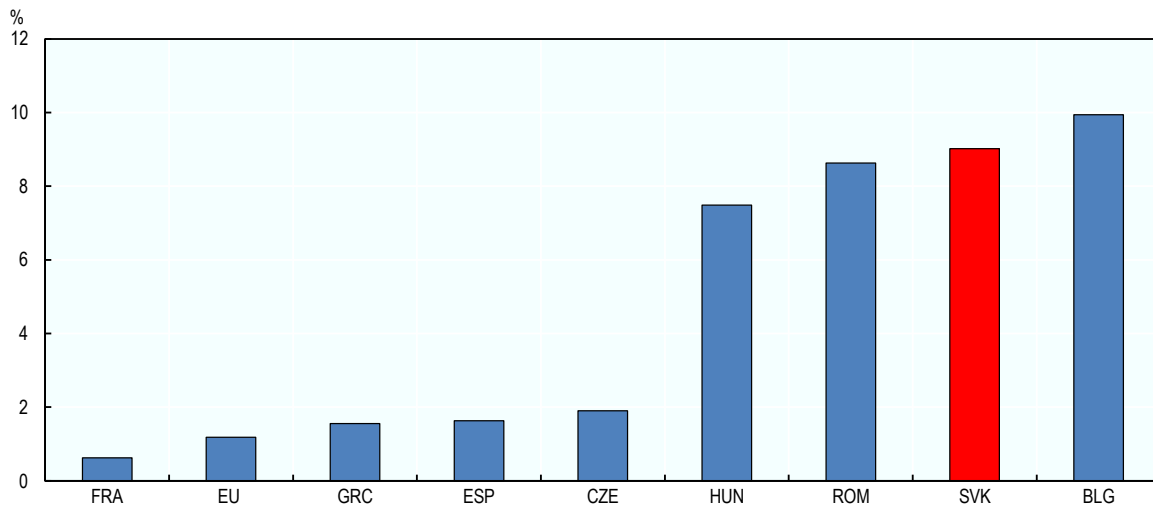
The history of the Roma community in the Slovak Republic is highly complex, with many different interpretations of their arrival and subsequent contribution to Slovak society. A historical review by Matlovičová et al. (2012) found that the first written document about the Roma population in the Slovak Republic was from 1322 and that in 1423 Sigismund of Luxembourg issued a charter which guaranteed certain safeguards and self-government jurisdictions for the Roma community. Matlovičová et al. also noted that across the centuries, attractive places for Roma settlements were on the edges of villages and towns where they could undertake their craft and trade activities and engage in various types of seasonal work. Although the Roma community suffered various levels of persecution, for hundreds of years they typically lived a quiet nomadic existence and supported the work of local agrarian societies.

Macsó's (2018) analysis of the 'Roma question' suggested that the establishment of Czechoslovakia in the early 20th century contributed significantly to increased stigmatisation of the Roma community and the introduction of anti-Roma measures (particularly during World War II). When the Communist Party came to power in 1948, all citizens became legally equal and the state supported the housing and employment of every inhabitant. However, the Roma population had poor levels of education and, as Macsó highlighted, they were only able to work in industrial sectors requiring strong physical labour and as unskilled labourers. Radičová (2002) suggested that the change of the Slovak Republic into a newly independent democratic state in 1993 had a considerable impact upon the Roma population and drifted them economically and socially to the edge of society. Today, the Roma community in the Slovak Republic generally live a marginalised existence and suffer from poor levels of labour market attachment. The challenges towards encouraging the community's population to secure sustainable employment are multifaceted and will require holistic support from multiple stakeholders to address the deep-rooted issues.

Population characteristics

Getting exact details of the population of the Roma community is notoriously difficult due to the nature of their settlements and their preference to avoid data gathering by government when possible. According to the European Commission (2019a), the Roma community is Europe's largest ethnic minority with an estimated 10-12 million Roma living in Europe. Approximately 6 million of the European Roma community are living in the EU, most of them citizens of an EU country. Within this context, an OECD (2019) report exhibited data showing that the Slovak Republic had the second highest share of Roma within any EU country population (see Figure 8.1).

Figure 8.1. Estimated Share of Roma in the EU (2012)



Source: OECD (2019)

StatLink  <https://doi.org/10.1787/888934248065>

The OECD (2019) report projected that there are between 400 000 and 500 000 Roma in the Slovak Republic, accounting for 7-9 per cent of the country's population. According to Vaňo (2002), the estimated number of Roma living in the Slovak Republic at the end of 2001 was 378 950, with the number of females and males being almost a 50:50 share. However, it was highlighted by Vaňo that the age structure of the Roma and non-Roma populations differ remarkably. The share of children aged 15 years and less for the non-Roma population is approximately 17 per cent, but for the Roma population it is almost 37 per cent; meanwhile only 2 per cent of Roma population are aged 65 years and over, but this share is approximately 12.2 per cent for the non-Roma population. Klimovský (2010) found that the highest shares of Roma people (in comparison to the total regional populations) were in the eastern and south-eastern regions. These regions were the weakest in terms of their economic performance (e.g. the Košice Region, the Prešov Region and the Banská Bystrica Region).

Table 8.1. Spatial distribution of the Roma settlements in the Slovak Republic

Region	Number of concentrated Roma settlements located within the municipal residential areas	Number of concentrated Roma settlements located in the periphery of the municipal residential areas	Number of concentrated Roma settlements that are territorially segregated from the municipal residential areas	Overall number of concentrated Roma settlements
Banská Bystrica	51	40	51	142
Bratislava	7	9	3	19
Košice	52	102	76	230
Nitra	45	13	7	65
Prešov	46	128	80	254
Trenčín	6	5	2	13
Trnava	30	21	10	61
Žilina	9	6	4	19
TOTAL	246	324	233	803

Source: Mušinka, A. et al. (2014), "Atlas of Roma Communities in Slovakia 2013", UNDP Europe and the CIS, Bratislava Regional Centre, Bratislava.

A detailed analysis of the Roma population in the Slovak Republic by Klimovský et al. (2016) found that about 46 per cent live dispersed among the majority population. The remaining 54 per cent live in some form of Roma settlement, which they defined as a minimum of 30 Roma people concentrated into one geographical area. Mušinka et al. (2014) broadly identified three key types of Roma settlements: (1) those located within municipalities; (2) those on the periphery of municipalities; and (3) those segregated from residential areas. Using the publication 'Atlas of Roma Communities', they estimated the number of settlements for the 8 regions as shown in Table 8.1. Scheffel (2004) stated that most settlements exhibit socio-economic characteristics of Third World slums and that basic facilities such as potable water, proper treatment of sewage, reliable supply of electricity, refuse collection, decent housing and access to appropriate school facilities are generally absent. Klimovský et al (2016) noted that there were clear regional differences in the types of Roma settlements and suggested that for the Banská Bystrica region, the dispersed Roma communities among the majority population was typical, but for the Košice region it was more typical to find territorially-segregated Roma settlements away from municipal residential areas. Scheffel (2004) noted that approximately one-third of the dwellings found in settlements consisted of illegally erected huts which lacked the most basic equipment and amenities.

According to interviewees for this review report, the region and type of settlement in which a Roma person was situated significantly influenced their opportunities to secure gainful employment. For example, the Roma ghetto of Luník IX in Košice was highlighted as having substantial economic and social problems, and people who lived there were highly unlikely to be in employment. Meanwhile, interviewees also mentioned that Roma who lived amongst the majority population were much more likely to be in employment and live in a house with indoor water facilities than Roma who were living in settlements.

Social challenges

The stigmatisation of Roma by general society and the poor housing conditions in which they live has generated substantial social challenges for members of the community (Steger and Filcak, 2014). An OECD (2019) report found that the majority of the Roma population are at risk of poverty and suffer from housing exclusion, one-third are illiterate, that Roma people have lower life expectancy than the rest of the population and that they have exceptionally weak upward social mobility between generations. Indeed, the report highlighted that *“the probability that Roma born in concentrated residential areas becoming unemployed or earning less than a minimum wage in irregular work is almost 70%”*. Bosakova et al. (2019) emphasised that poor access to employment, appalling living conditions and low levels of education combine to contribute to a range of avoidable poor health outcomes for the Roma community in the Slovak Republic, which are much greater than that experienced by the non-Roma population (e.g. high prevalence of chronic disease, poor dental health and difficulties in seeing and hearing properly). Table 8.2 exhibits some of the ways in which being a member of the Roma community in the Slovak Republic causes disadvantages that are experienced less frequently by the non-Roma population (EU, 2016). The rise of right-wing political perspectives in recent years has only increased the rates of general animosity and mistrust between the Roma and non-Roma populations, which have further exacerbated the challenges endured by Roma caused by various forms of exclusion from Slovak life.

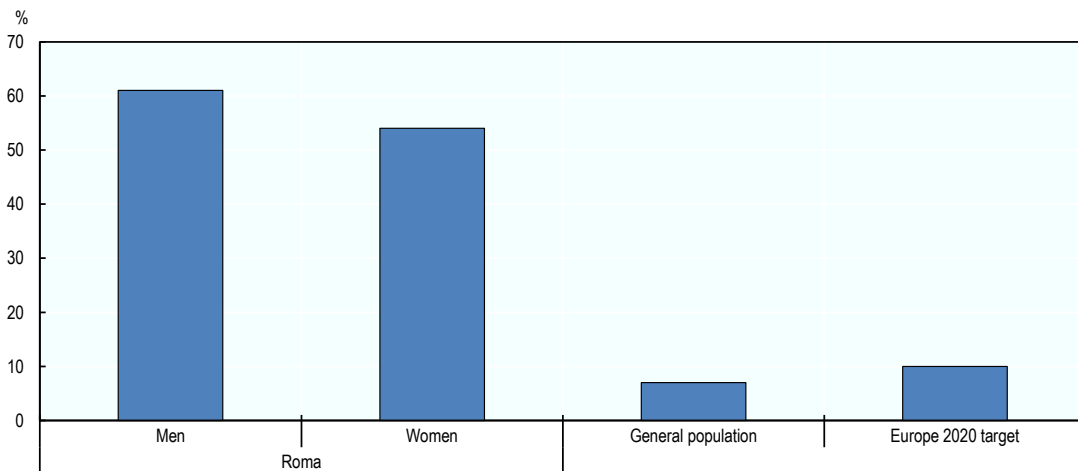
Table 8.2. Selected indicators of Roma exclusion in the Slovak Republic

	General Population	Roma
At-risk-of-poverty rate (%)	13	87
Employment rate, 20-64 (%)	68	25
NEET rate - neither in work nor in education, aged 16-24, (%)	14	65
Drop-out rate from education (%)	7	58
Share of households living without a toilet, bathroom and shower inside the dwelling	0.6	43
Share of households living in areas affected by crime, violence and vandalism	8.7	30

Source: EU (2016)

Another social challenge facing the Roma community in the Slovak Republic is low levels of education. As shown in Figure 8.2, the percentage of early school leavers within the Roma community is substantially higher than found within the general population. An OECD (2019) report stressed that the disadvantages of the education system begin when the children are very young, since only 33 per cent of Roma children attend kindergarten compared with 80 per cent of the overall population. Furthermore, municipalities without a kindergarten tend to be in regions with higher concentrations of the Roma community. The low participation of Roma children in kindergarten is also caused by cultural and financial barriers, and by discrimination. Non-participation in kindergarten will hinder a child's readiness and performance in their primary school environment and so the cycle of disadvantage starts to snowball. Language is a further barrier to progression as many Roma children do not speak Slovak and only 33 per cent consider it their mother tongue, adding additional barriers to integration and learning.

Figure 8.2. Early school leavers, aged 18-24 years (%)



Source: EU (2016), "Second European Union Minorities and Discrimination Survey, Roma – Selected findings", Agency for Fundamental Rights, European Union.

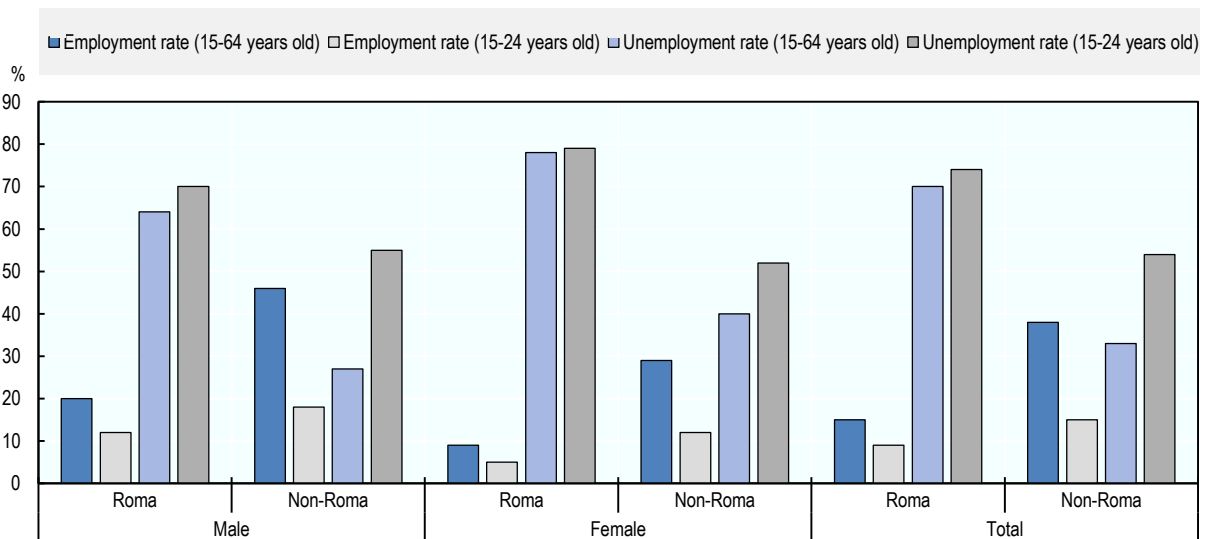
StatLink  <https://doi.org/10.1787/888934248084>

Segregation of Roma children into exclusive classes and schools is frequently evident, as is the practice of 'white flight' of children from the non-Roma population away from schools that have high numbers of Roma children. Friedman et al (2009) found that among pupils in special primary schools completing mandatory education at a level lower than grade nine, Roma account for 80 per cent. They argued that completion of special (as opposed to standard) primary education severely limits options for further education and that Roma graduates of special primary or secondary schools have extremely limited opportunities for finding stable employment. Indeed, they determined that in 2002, the unemployment rate among 15-24 year olds in the Slovak Republic not in education or training was 37.7 per cent, as compared with the EU-25 average of 20.1 percent for the same category of persons. The OECD (2019) report also made note of the considerable over-representation of Roma children in special schools, which are meant to accommodate only children with disabilities. Moreover, the report identified that the completion of education in a special school does not allow children to pursue their education in a regular secondary school, which hinders their opportunity to pursue the type of education that the general population might receive. All of these factors combine to limit the ability of Roma children to enjoy sustained mainstream education and ultimately reduces their labour market activation prospects.

Labour market outcomes

Given the difficulties that Roma experience in terms of low levels of education and poor housing conditions, it is inevitable that they also suffer difficulties relating to labour market activation. Indeed, Bosakova et al. (2019) asserted that Roma unemployment across much of Central and Eastern Europe (CEE) was very high. They estimated the unemployment rates for Roma to be 71.0 per cent in the Slovak Republic, 41.5 per cent in Bulgaria, 40.5 per cent in the Czech Republic, 52.5 per cent in Hungary and 35.5 per cent in Romania. Mýtina Kureková (2015) also declared that the employment situation for Roma was lamentable and that it had worsened over time. A study by the European Parliament: Policy Department A, Economic and Scientific Policy (2016) regarding the social and economic situation in the Slovak Republic found that unemployment gaps between the Roma and non-Roma population are particularly high for women and for young people aged between 15 and 24 years old (Figure 8.2). A UNDP (2012) survey further found that about 38 per cent of the Roma population aged 15-64 had no previous employment experience, while the overall rate in the Slovak Republic for the general population was 21 per cent. A UNDP (2012) household survey focused on marginalised Roma communities and it established that almost 50 per cent of Roma youth had no prior work experience. The report also noted that a relatively large volume of Roma work takes place outside of the official labour market and even formal work activity happens outside of standard forms of employment contracts (e.g. short-term duties, seasonal or casual work). The report clearly highlighted that the share of classic full-time employment was significantly lower among Roma in comparison to the geographically close general population. The report suggested that since less qualified work predominated, it could be assumed that these jobs paid low wages and offered weak social and job protection.

Figure 8.3. Employment and unemployment gaps between Roma and Non-Roma population in the Slovak Republic



Source: European Parliament (2016), Policy Department A, Economic and Scientific Policy

StatLink  <https://doi.org/10.1787/88893424810>

Mýtina Kureková (2015) contended that factors such as low education levels, lack of skills, stigmatization of low-skilled workers and racial discrimination were the primary reasons for the poor rates of labour market attachment amongst the Roma community. Scholars such as Radičová (2002) have suggested

that the declining rates of employment have been caused by the changing structure of the economy due to a move away from agriculture and heavy industry, which has caused a weakening demand for unskilled and low-skilled workers. Meanwhile, several interviewees for this review report stated that difficulties commuting to work due to poor transport links from Roma settlements or ghettos created additional challenges for Roma seeking or maintaining employment, a factor rarely noted in existing literature. Furthermore, some interviewees declared that concerns by employers around poor personal hygiene (caused by a lack of water facilities in Roma settlement housing), language difficulties and modest social skills also heightened the obstacles to labour market activation. These interviewees also intimated that a potential employer recognising a name or address on a Curriculum Vitae as being Roma frequently meant that an application would be immediately rejected. Overall, the findings from various reports portray a situation of high rates of unemployment, which are particularly bad for young and female Roma. The causes for such circumstances are multiple and complex, ranging from societal attitudes and inadequate official support to low levels of education and poor housing conditions. Breaking the cycle of intergenerational poverty and deprivation is enormously challenging and can only be tackled by many different stakeholders working towards an integrated solution. However, the example of Whirlpool (Box 8.1) offers an excellent illustration of how one large company took a proactive approach to incorporating Roma into its workforce through a targeted initiative.

Box 8.1. Corporate support for the Roma in the Slovak Republic – Whirlpool

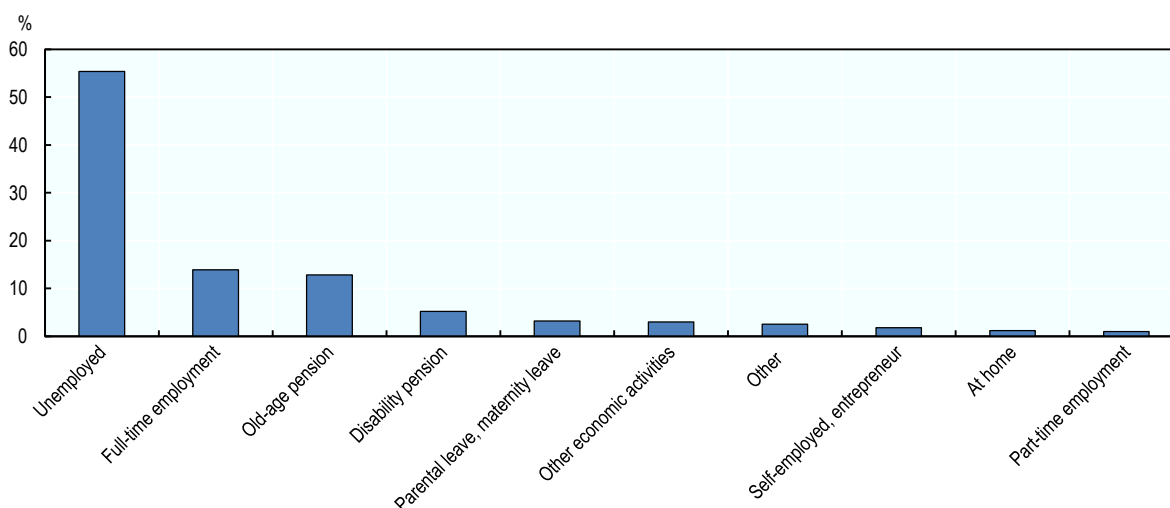
Whirlpool has a manufacturing plant in Poprad, a city in northern Slovak Republic at the foot of the High Tatra Mountains. The company introduced a dedicated initiative to employ workers from the Roma community under its corporate social responsibility remit. It created a customised training programme and awarded certification upon completion as the company would not employ anybody without the appropriate qualifications. The jobs offered were standard full-time contracts, which was viewed as the greatest motivation for the job-seekers. The company found when it treated the Roma equally, it experienced resistance from the workforce initially, but this changed over time. The expectation of arriving on time for work was challenging for some Roma and so they were reprimanded by management, which added to the difficulties of the Roma in adopting to the company's conditions. Matters such as adhering to Health and Safety regulations were not always followed as some Roma were unable to read the signs posted in the various buildings. However, over time Roma employees responded positively to their new conditions and they became fully integrated into the workforce. According to a Business Leaders Forum newsletter in 2017, Roma accounted for about 20 per cent of company's employees at that time. In addition to most Roma being in regular work roles, some also filled various specialized positions.

Source: Interviews conducted during the OECD study visit and Business Leaders Forum newsletter in 2017.

Business creation and self-employment

There are few data available regarding the levels of entrepreneurial activity amongst the Roma community. A UNDP (2012) report analysed the structure of the Roma population aged 15 years and over with experience with work activities during their lifetime by current economic status and found that 1.8 per cent stated that they were self-employed (Figure 8.4). The percentage of self-employed for the geographically close general population was 7.1 per cent, which suggests an outcome that is unlike what happens with other disadvantaged communities where entrepreneurial activity exceeds the mainstream population.

Figure 8.4. Structure of the population age 15+ years with experience with work activities during their lifetime by current economic status



Source: UNDP (2012), "Report on the Living Conditions of Roma households in Slovakia 2010", UNDP Europe and the CIS, Bratislava Regional Centre.

StatLink  <https://doi.org/10.1787/888934248122>

It is a common trend among minority or disadvantaged communities that they will have higher levels of entrepreneurial activity than the general population, particularly in circumstances where their rates of employment are particularly low due to discrimination. Such trends occur because of the existence of barriers to labour market attachment through employment for people from minority or disadvantaged backgrounds and therefore self-employment may become their only option for generating earned income. However, what is evident in the Slovak Republic is that the Roma community suffers from very high levels of unemployment, yet Roma do not rectify this situation through high rates of entrepreneurial activity. General society has frequently labelled the Roma as being work-shy, but the low rates of entrepreneurial activity actually might actually mean that such endeavour is happening through the semi-formal or informal economy rather than through the formal economy. Furthermore, due to low levels of education, many Roma are illiterate and so cannot complete official government documents to legally register a business and become part of the national statistics for the self-employed. Indeed, a lack of literacy would also have a strong negative impact on many aspects of running a business (e.g. invoices, emails, accounts, etc.) and may influence the decision of Roma to operate in the informal cash economy rather than through formal business methods. Because of the hidden nature of the informal economy and the reluctance of Roma to engage with government officials, gathering data on this topic is extremely difficult.

Box 8.2. Inspiring role model – Ivan Hriczko

Ivan Hriczko is a member of the Roma community and is a graduate of media studies from Univerzita sv. Cyrila a Metoda v Trnave. While studying for journalism, Ivan worked at the Košice daily paper *Korzár* and then moved on to the local Košice public TV station *Naša*. After he finished his studies, he stayed with *Naša* for two months and then joined Bratislava-based Global TV in April 2000, becoming the first Roma reporter in the Slovak Republic on national television. Thereafter, he became a Director of the Roma Press Agency, a Košice-based news organisation created to address the image of Roma in the Slovak media. More recently, Ivan became Director of Media and Documentary Centre *Romakuk s.r.o.* which is based in Košice and provides business and management consultancy services. He has

also spent some time working in the Office of the Slovak Government Plenipotentiary for Roma Communities and so he is familiar with the manner in which the national government and its agencies operate.

Among Ivan's clients are people who are submitting proposals to access EU funding, particularly applications relating to the Roma community. He is keenly interested in developing infrastructure support for the region that would benefit the Roma population and he frequently champions the cause of the Roma community with government officials. Ivan estimates that there are approximately 1 000 registered Roma entrepreneurs in the Slovak Republic, but he believes that an even greater number exist in the informal economy. The businesses are primarily in the services and building industries, with many Roma entrepreneurs having started their business while they were working abroad (because they experience less discrimination in other countries). He believes that very few Roma women entrepreneurs exist because of the culture of the community. Ivan suggested that those women who do create enterprises have businesses such as hairdressers and other services that are targeted primarily at women. It is Ivan's ambition to identify other Roma who have graduated from university and started a business, and collectively to establish an Association of Roma Entrepreneurs.

Ivan believes that one of the challenges facing the Roma community in the Slovak Republic is its inability to organise itself into one cohesive movement. He believes that the Roma people needs its own political party which would contest local, regional and national elections, thereby giving a greater voice to the community in the work of municipalities and government. Ivan considers the Roma community to be highly entrepreneurial and proposed that custom-designed entrepreneurship programmes be delivered by Roma entrepreneurs. However, building a pathway to starting a business would also require microfinance loans, mentoring and advisory services on legal requirements. He also advocated that Roma require formal work experience prior to starting a business and this can be achieved most effectively through social enterprises established through local municipalities.

Source: *Interview with Ivan Hriczko.*

Ivan Hriczko (Box 8.2) is an excellent example of a person from the Roma community who has overcome disadvantage and discrimination to become a successful entrepreneur. He dedicates significant energy to supporting other people from the Roma community who are striving to overcome the considerable barriers that Roma face when seeking to become self-employed. Research by Mýtina Kureková (2015) identified some of the challenges that Roma face when seeking to establish their own business as: lack of capital, fear of financial implications if unable to fulfil conditions when receiving self-employment contributions from public funds; inability to meet demand to pay social security contributions for two years; discouragement from labour office staff to use government supports; and little support from labour offices to develop capacity building to increase self-employment skills. Interviewees for this review report noted that one result of these circumstances is that many Roma men travel abroad to start their own business because in other countries their ethnicity would not be recognised and they would be less likely to experience discrimination. However, even when starting a business in another country, the disadvantage of poor education and high rates of illiteracy means that they are still unable to operate their businesses in the same manner as the general population. However, a study by Žarković-Rakić and Vladisavljević (2016) in Serbia revealed that Roma entrepreneurs were less educated and trained to run a business than non-Roma entrepreneurs, had lower levels of entrepreneurial inclination, operated in more labour-intensive sectors with lower technical complexity, created less added value products or services and generated much lower revenues.

In conclusion to this section regarding the socio-economic conditions of the Roma community in the Slovak Republic, it should be noted that they experience extensive deprivation. Poor health, lower life expectancy, high rates of unemployment, abject housing conditions and wretched poverty are common

features that have already been well documented in national and international reports concerning the Roma community. The Office of the Slovak Government Plenipotentiary for Romani Communities is responsible for providing government support for the Roma community and in a monitoring report by the Slovak Republic (2019), it was stated that of 154 activities and measures designed to be fulfilled during 2018, the Office of the Plenipotentiary assessed 85 as 'fulfilled' or 'about to be fulfilled', 54 as 'underway' and 15 as 'unfulfilled'. The report also highlighted that almost EUR 120 million was spent in 2018 on Roma integration in the Slovak Republic. The investment was especially targeted at activities to increase Roma employability and employment (EUR 75 million), educational activities (EUR 30 million) and the area of housing (EUR 7 million). This would suggest that a significant commitment is being made by government and its agencies to address the problems being experienced. However, according to an OECD (2019) report, *"the majority of Roma live in poverty and face social exclusion in almost all aspects of everyday life"*. It appears that the gap between ambition and reality remains a vast chasm.

Constraints on Roma entrepreneurial activity

It has been highlighted by researchers such as Collins (2017) that the Roma community has a long tradition of entrepreneurial activity and has traditionally traded in horses, market trading and recycling. Ringold et al. (2003) submitted that common entrepreneurial activities included salvaging and selling scrap metal, petty trade, and part-time work in agriculture and construction. They also suggested that one of most widespread entrepreneurial activities for Roma was working as musicians.

The work for this review report included interviews with a wide range of people from a variety of backgrounds. It encompassed interviews with Roma entrepreneurs, heads of municipalities, leaders of social enterprises and community centres, representatives of NGOs, business representatives and other stakeholders who had significant experience of working with the Roma community. The analysis that follows is based on the feedback provided from these 28 interviews, together with a review of existing academic literature. Since research on Roma entrepreneurship in the Slovak Republic is extremely limited (indeed on Roma entrepreneurship generally), references to studies regarding other minority and disadvantaged communities are also utilised to provide additional insights and considerations.

Discrimination in the market

Ringold et al (2003) identified discrimination as a significant barrier for Roma in terms of economic activities. This view was supported by interviewees for this study who stated that the prospect of experiencing discrimination in the marketplace was a constant threat for Roma entrepreneurs. Many examples were provided of non-Roma being unwilling to transact business with Roma entrepreneurs once they learned of their background. This situation created two distinct challenges: (a) difficulty in securing supplies; and (b) low customer demand. Because of high levels of mistrust within Slovak society generally of the Roma community, suppliers were concerned that they would not be paid if they gave products / services to Roma entrepreneurs. Potential customers were concerned that they would receive low quality products / services if they contracted with a Roma entrepreneur, so they were unwilling to engage with them. Since the Roma community itself was extremely poor due to low levels of employment, it was unlikely that they could afford the products / services of a Roma entrepreneur. One Roma entrepreneur, whose business was an indoor children's play centre, disclosed that local non-Roma would not bring their children to the play centre because they perceived it would be unhygienic, while local Roma would not bring their children because they could not afford the entrance fee (even when it was reduced to EUR 2 per hour). Her business depended on non-Roma from outside the locality travelling to the play centre as there was no competition within a large radius of the village.

The non-Roma population would frequently perceive the Roma community to be second-class citizens and this further exasperated the problem of discrimination.

Another area of discrimination was non-Roma customers refusing to pay for product / service delivery. They would argue that the product / service was sub-standard (even when verified to be of high standard by an independent observer) and so would either not pay or insist upon a far cheaper rate than originally agreed so that the Roma entrepreneur would effectively make a loss from the transaction. Such incidents were raised on a number of occasions by interviewees. It was stated that the non-Roma believed that the judicial system would not trust people from the Roma community and therefore judges would rule in favour of the non-Roma community if this were taken to court. A non-Roma customer would also know that Roma have very little access to finance and so could not afford to instigate legal proceedings against them. Žarković-Rakić and Vladislavljević (2016) found that Roma entrepreneurs had little knowledge of business law or experience of seeking legal advice to defend their rights, and that one-in-three respondents had claimed that insufficient knowledge of laws and procedures had limited their business operations.

The issue of securing suitable location for one's business was also raised. Many landlords were unwilling to accept Roma as a tenant due to landlords not having trust in the ability or willingness of Roma to pay the rent each month, plus concerns about hygiene and the manner in which the property would be maintained. This frequently meant that the only property that a Roma entrepreneur might be able to secure would be a location that nobody else wanted and had very poor business potential, particularly in businesses such as retailing where passing footfall was critically important.

One of the more interesting outcomes from the interviews was the finding that discrimination can also come from within the community. Some examples were given of Roma entrepreneurs whom their own community perceived to be successful and so members of the community would not do business with the Roma entrepreneur so that "they would not get above themselves". This issue was also relevant to the difficulty of identifying role models from within the community, as Roma who were successful did not wish to promote themselves due to the negative manner in which their community might view them.

Low skills levels

As highlighted in previous sections, the Roma community possess very poor levels of education, with a high proportion being early school leavers. This means that many Roma are either illiterate or semi-illiterate, frequently unable to read or write effectively. This creates a substantial barrier to labour market attachment and inevitably means that any employment secured will be in unskilled or semi-skilled positions. A study of Roma entrepreneurs in Hungary by Kallai (2005) emphasised that poor education not only limits a person's opportunities, but also restricts his/her entrepreneurship horizons and relationship networks, plus it also had negative effects on oral skills and social acceptance. For potential or nascent Roma entrepreneurs, poor literacy also creates difficulties with completing forms and other administrative tasks relating to official registration, plus challenges ensuring the legal compliance of a business in terms of annual reporting and other company-related tasks. Such difficulties in understanding and completing administrative legal requirements means that many Roma entrepreneurs will operate in the informal economy as they are unable to fulfil the legal requirements of an official business.

Because of poor levels of education and living in poverty, many Roma are unable to budget and have poor financial literacy skills. According to Cho et al. (2016), basic numeracy and literacy skills are a precondition to setting-up and operating a business, but these skills are often lacking among subsistence entrepreneurs. They further argued that due to education levels being low, their cognitive skills tend to be underdeveloped and low levels of cognitive skills affect the capacity of individuals to interpret and process information about events that can affect their business. Furthermore, low cognitive skills also limit the capacity to choose viable economic activities and to learn from failure or success.

These limitations create challenges when seeking to access finance as Roma entrepreneurs are frequently unable to provide financial projections, plus poor financial literacy has negative consequences on the ability of a Roma entrepreneur to build a long-term sustainable business. Financial literacy is the cornerstone of any successful business and possessing poor financial skills is detrimental to the hopes of any Roma entrepreneur starting and growing a business. This finding was supported by Cooney and Flynn (2008) whose study of ethnic entrepreneurs determined that ethnic entrepreneurs blamed ethnic discrimination for their failure to access finance from official sources, when ineligibility or poor financial projections were the actual reasons for not being offered the money.

The issue of low levels of social skills was also highlighted by interviewees and it was suggested that language barriers caused by their inability to speak Slovak fluently combined with poor levels of education meant that many Roma would suffer from poor communication skills in the primary language of the country. A UNDP (2012) report stated that Romani was the mother tongue of 29.9 per cent of the Roma population living in diffused settlements, for Roma in separated settlements the share grew to 57.4 per cent and for Roma citizens living in segregated settlements it was 74 per cent. The report further stated that a total of 34.9 per cent of the Roma population gave Slovak as their first language of daily use, 12.3 per cent said it was Hungarian and the majority of 52.7 per cent said they used Romani on a daily basis. According to interviewees for this study, the use of Romani as a daily language meant that many Roma had significant difficulties with communication when interacting with people from outside the Roma community as they would lack the confidence to speak and interrelate as equals. It also meant that they would have very small networks outside of the Roma community, which is a disadvantage in business activity. Žarković-Rakić and Vladisavljević (2016) determined that Roma entrepreneurs rarely come into contact with other organisations that offer business development services, such as clusters, regional development agencies and similar organisations. Gatti et al. (2016) also noted the very high rates of illiteracy and poor communication skills among the Roma community across a number of Central and Eastern European countries. The inability of Roma to read and write Slovak means that understanding business or legal documents can be extremely challenging for many Roma entrepreneurs and would discourage them from interacting with state or business agencies. This connects with an ILO (2016) report which identified limited understanding of business administration as being a critical challenge to Roma entrepreneurship. The ILO report advocated that governments seeking to encourage entrepreneurship among Roma need to initiate action at the macro level to create more enabling environments.

The low level of education and skills amongst the Roma community also leads to low value business ideas. Research by Žarković-Rakić and Vladisavljević (2016) found that Roma firms in manufacturing industry are dominated by low-tech businesses or labour intensive activities that generate little added value and are not sufficiently competitive. The interviewees for this review report suggested that Roma entrepreneurs do not have the education or training to evaluate their business idea and assess the long-term viability of the business. They claimed that the business ideas of Roma entrepreneurs are commonly based on family traditions that have been passed down through the generations (e.g. handicrafts, music). It is unlikely that the idea would be based on opportunity recognition and even more unlikely that the opportunity has been evaluated beyond discussions with other members of the Roma community. The enterprises started by Roma entrepreneurs are typically in businesses that will usually earn low profit margins. Because the business ideas are of low added value and have limited market potential, a strong possibility exists that they will fail within a short timeframe. This further diminishes the self-confidence of the Roma entrepreneur and may cause them to be unable to pay any outstanding loans or credits, providing further reasons to the non-Roma community not to provide support to Roma entrepreneurs. According to O'Higgins and Ivanov (2006), many Roma do not connect their employment or self-employment difficulties to their lack of knowledge or skills and instead believe that such outcomes are solely caused by ethnic discrimination.

Lack of labour market experience

A common characteristic of entrepreneurs when establishing a business is prior industry experience. Many scholars such as Azoulay et al (2020) have argued that prior industry experience can lead to greater rates of entrepreneurial success. However, some of the interviewees for this study emphasised that Roma adults typically have little work experience in the formal economy and so have limited opportunity to develop many of the skills required of any entrepreneur. They are particularly unlikely to have been employed in any form of management position and so it is improbable that they will have management experience. Lacking relevant work experience is a substantial disadvantage to the potential of building a sustainable business as experience helps a person to learn the most / least effective means of undertaking any job or task.

Low levels of capital and no access to finance

Žarković-Rakić and Vladislavljević (2016) ascertained that a lack of access to capital was seen as possibly the single biggest barrier to Roma starting their own business. Given that the Roma community experience very low rates of employment, they do not have the opportunity to save capital to start their own business. If they are in receipt of social welfare, then they will only have enough money to survive each week and will be unable to save any money. Having one's own capital to start a business is a basic requirement of any entrepreneurial activity and so the inability of a potential or nascent Roma entrepreneur to invest their own money in their business start-up creates a substantial barrier to starting an enterprise.

Because they do not have their own capital, Roma entrepreneurs regularly require loan capital to start their own business. However, getting a loan from a lending institution is highly problematic as it is unlikely that they have previously held a bank account, so they will have no credit history. A World Bank (2012) report found that just 29 per cent of Roma in the Slovak Republic had a bank current account, while just 8 per cent had a credit card or store card. Furthermore, the report found that Roma save less and they are also more likely than the general population to have arrears on utility bills. Foley and Cooney (2017) contended that Roma generally operate in a cash economy and that their reluctance to have a bank account is due to their suspicion of how information held by the banks might be utilised by government agencies. A significant problem identified by Žarković-Rakić and Vladislavljević (2016) was the lack of collateral that Roma entrepreneurs had to offer banks due to their property usually being of relatively low value. This low valuation can be caused by several factors, including the location of their real estate, its lack of marketability, poor quality of construction, etc. This lack of collateral is a problem, not only to obtain loans from banks, but also to have access to finance from other, non-banking sources. Additionally, a lack of trust among lending institutions towards the Roma community means that a lender is less likely to offer a loan to a Roma entrepreneur once their identity has been established. Indeed, according to the World Bank (2012), micro-finance suppliers in Central and Eastern European countries often decline to serve Roma communities.

As a result of the difficulties in obtaining finance from formal lenders, Hrustič (2015) detected that many people in the Roma community sought loans from informal lenders. A UNDP (2012) report suggested that more than 70 per cent of Roma households are currently indebted. A number of interviewees also mentioned that many Roma were obligated to repaying 'loan sharks' and in serious financial difficulties. Accessing funding in this manner will mean paying higher interest rates on monies borrowed and any inability to meet repayment schedules could meet with heavy penalties. Interestingly, it was noted by some that the 'loan sharks' occasionally came from within the Roma community and how this practice of informal entrepreneurial activity was very successful for some Roma. However, they must repay the full amount if the business fails, plus they cannot claim welfare benefits if the business fails. While the grant is meant to be an incentive for people to start a business, the reality is that the requirements to

repay the full amount and lose welfare benefits act as disincentives for the Roma community given their greater likelihood of having a failed business due to the many reasons outlined in this section.

Welfare trap

It has been emphasised throughout the chapter that due to low rates of employment, many Roma are in receipt of welfare benefits. As can be found amongst minority and disadvantaged communities across the world, people from within these communities are in danger of falling into the 'welfare trap'. Such a situation arises when earning income would result in losing access to welfare benefits and the net result could mean a person earning less net income on a weekly basis. This creates a disincentive to secure employment as the best economic decision for that person (and potentially their own family also) would be to stay in receipt of welfare benefits. This allows a person to maintain a guaranteed regular income which they are sure to receive rather than the uncertainty of generating income from a business start-up and losing their welfare benefits. Rat (2009) identified that a number of expert evaluations were concerned about welfare dependency within the Roma community and detailed a number of reports that had highlighted the need to break the cycle of poverty and social exclusion. An OECD (2019) report stated that intergenerational mobility is very low for Roma and that the probability of Roma children becoming unemployed was almost 70 per cent. In some countries, the philosophy of 'Making Work Pay' (e.g. Ireland) has been adopted and so people who start their own business see their welfare benefits reduced over a number of years on a staggered basis. The welfare benefit system potentially acts as a deterrent to labour market attachment for the Roma community and encourages informal market activity. Breaking this intergenerational cycle of the welfare trap is extremely difficult and complex, but will only happen when creative and flexible solutions are introduced to address the situation.

Current approaches to supporting Roma entrepreneurship

In seeking to address the complex issues facing the Roma community, the Slovak Government has been requested by the European Commission and the Council of Europe to consider introducing effective policies and programmes for multifaceted problems such as health, education, housing and employment. Finding workable solutions is extremely difficult and require significant resourcing and long-term vision. Any customised measures to support the Roma community need to be introduced against a background where the general population is largely unsupportive of assistance being provided to Roma and government budgets being constrained by its own financial position and economic burdens.

In 2012, the Slovak Republic published its national Roma integration strategy and it addressed poverty and social exclusion in Roma communities by focusing on education, employment, health and housing. However, no mention was made in the strategy to supporting Roma through self-employment or entrepreneurial activity. The strategy reinforced that the principal agency for addressing Roma issues in the Slovak Republic was the Office of the Slovak Government Plenipotentiary for Romani Communities.

In April 2020, Andrea Bučková was appointed as the eighth person to hold the post of Government Plenipotentiary for Roma Communities since the agency was established in 2001. Since 2012, the Office has been integrated into the structure of the Ministry of the Interior and has been implementing the 'Strategy of the Slovak Republic for Integration of Roma up to 2020'. While the Plenipotentiary acts as an advisory body to the government and performs tasks aimed at addressing the problems facing the Roma community, an OECD (2019) report noted that the office has no official power. Additionally, the Plenipotentiary does not control the funds for programmes relating to Roma integration, which are under the control of the individual Ministries. Furthermore, the Council of Europe (2016) noted that there

was a failure to implement the Roma integration programmes due to a lack of will and because the various programmes remain under the responsibility of different Ministries.

Both Hurrell et al. (2012) and Klimovský et al. (2016) argued that the measures being introduced by the Slovak Government were having little impact on the Roma community. Klimovský et al. stated that the findings from their research indicated that there was “no statistically significant relationship among allocation of grants and characteristics describing Roma’s access to basic infrastructure, education, healthcare and institutional approach to solving the so-called ‘Roma problem’ at a local level”. This section focuses on the various approaches being adopted by various stakeholders to encourage greater levels of entrepreneurial activity by the Roma community.

Government support

The Ministry of Economy of the Slovak Republic manages a network of innovation support agencies which includes: (a) the Slovak Business Agency (SBA); (b) the Slovak Innovation and Energy Agency (SIEA); and (c) the Slovak Investment and Trade Development Agency (SARIO). The agencies implement the majority of enterprise and innovation policy measures in Slovakia, with many of the policy measures being heavily dependent on EU funding. The principal government enterprise support organisation is the Slovak Business Agency (SBA), which was established in 1993 by a common initiative of the EU and the Ministry of Economy with the support of the Entrepreneurs Association of Slovakia and the Slovak Association of Crafts. SBA provides a wide variety of supports to potential, nascent and existing entrepreneurs, such as: (1) Microloan Programmes; (2) Financial Programmes; (3) Non-Financial Programmes; (4) Support for Startups; (5) Support for Marginalized Groups; (6) Analysis of Business Environment; and (6) Internships. The SBA has offices throughout the country and its aim is to be a one-stop shop for any person who is seeking assistance when starting or managing a small business.

The SBA offices are open to the Roma community to utilise as the agency is available to all everybody living in the country, but has few targeted policies focused on marginalised groups. The main exception is the Slovak Women’s Platform, of which the SBA is a founding member, and annually organises the prestigious Businesswoman of Slovakia Award. There are no tailored start-up programmes targeted solely at the Roma community and feedback from the interviews suggested that interaction between the SBA and Roma was very low (but no official data on this basis are collected).

Interviewees for this study suggested that Roma were reluctant to use SBA offices due to a fear of experiencing discrimination (although there is no data backing such claims) and also because they would be unable to complete the required paperwork for any of the SBA initiatives due to issues surrounding language and literacy, despite the support provided by front desk officers of the SBA to fill in the necessary paperwork. Given that the SBA has not proactively engaged with the Roma community on a sustained basis, plus the averseness of the Roma community to interact with SBA staff, the effective outcome is that few examples of Roma entrepreneurs receiving SBA support could be identified.

Municipalities

There are 2 891 municipalities in the Slovak Republic which are grouped into 79 districts, which in turn are grouped into 8 regions. Kolesarova (2012) suggested that municipal firms could be utilised to employ Roma and give them the opportunity to gain work experience. Municipal firms are enterprises that are owned by a municipality that offers employment of a fixed duration (e.g. two years) to people who are unable to secure employment in the open market due to discrimination, stereotyping, disability or other such reasons. The municipal enterprise behaves like a social enterprise as it provides training and employment to these disadvantaged people by providing products or services to customers that

are willing to pay a fair price. Any profit that is accrued is reinvested in the business. Musinka (2012) argued that it would be easier for smaller municipalities establish a successful municipal firm because relations between the authorities and the local population is closer. The municipality of Spišský Hrhov (Box 8.3) provides an excellent example of such an initiative and the local mayor has frequently offered his support and mentorship to other municipalities who have sought to follow this example.

Box 8.3. Use of social enterprises to support the Roma, Spišský Hrhov

The first Slovak municipal firm, with the specific objective to raise employability and employment rate of the Roma living in settlements and consequently to improve their critical socioeconomic situation, was established in Spišský Hrhov in 2000. Spišský Hrhov is a municipality located in Levoča District. It has approximately 1 350 inhabitants, 300 of whom are Roma. A local municipal firm was established as a direct reaction to the high unemployment rate and critical situation of the marginalized Roma community who lived in impoverished settlements. Each employed Roma starts with a supervisor, who teaches and leads him/her. However, even under supervision, approximately 50% of Roma workers are not able to acquire working habits and skills necessary for full-time employment and to keep a permanent job. Consequently, they squander their opportunity and have to leave the firm during the trial period which lasts 2-3 months. However, thanks to the municipal firm, employed workers who stay become skilled and competitive in the labour market and later are able to find a regular job.

The first entrepreneurial activity of the municipal firm started with buying simple technologies and hand tools (shovels, hoes, rakes, etc.) for producing paving-stones. Later, the firm expanded its activities to making firewood, taking care of public municipal spaces, the production of wooden products and souvenirs in wood workshops, and the storage and trading of wine. Nowadays, they also provide construction works (building of houses or fences), plus the installation of the scaffolding.

Thanks to the temporary or permanent employment gained in the municipal enterprise, people earned some money and reconstructed or built their own house, connected them to the infrastructure supply services and legalised their homes. All these steps have significantly improved the housing conditions of the Roma community, with everyone living in a house and 70% of households connected to the infrastructure supply services. Other positive impacts were observed in other areas of social life as employment has also solved problems with financial debts, because people have work to pay their loans. The 'behaviour' of the Roma community has also significantly altered and the local majority population has overcome their prejudices towards the Roma community. The Roma community is relatively well integrated and there are few problems arising from mutual coexistence.

Source: Kolesarova (2012) and interview with Vladimír Ledecský, Mayor of Spišský Hrhov.

It was consistently highlighted during the interviews for this review that the positive participation of municipalities (supported by their mayors) was potentially the best opportunity to change the circumstances of the local Roma community. Such initiatives frequently included the development of housing for the Roma community which had the double benefit of increasing labour market attachment and social housing within one activity. By securing a job contract, Roma were able to arrange mortgages from lending institutions which then enabled them to buy the houses that they were building or renovating. With the skills that the Roma learn on these employment schemes, they are able to secure long-term employment in other enterprises or potentially start their own business. For many observers, such a form of employment was considered the most efficient pathway for Roma to move from unemployment into self-employment as it enabled Roma to acquire new work skills, learn to appreciate the benefits of work supervision and mentoring, build a regular daily routine, develop their social skills and expand their network of contacts. Quite importantly, it also provided local role models of Roma who moved from unemployment into positions of permanent employment and occasionally self-employment.

The initiative offered a pathway to changing their economic and social circumstances that local role models had already successfully taken.

The European Commission and the Council of Europe launched the ROMACT Programme in 2013 to assist mayors and municipal authorities to work together with local Roma communities to develop policies and public services that are inclusive of Roma. In the Slovak Republic, six municipalities have participated since the beginning and seven new municipalities were added in 2016. As part of the programme, Community Action Groups (CAGs) were established and community priorities were drafted in all municipalities and shared with the local authorities. These Joint Action Plans were approved by the relevant mayors and City Councils after a review process. The Slovak ROMACT Team also supported and coached municipalities willing to access EU funds to improve the situation of Roma communities through close collaboration. Besides training on EU project planning and management, training on social entrepreneurship was also provided to relevant stakeholders. While the programme achieved several successful outcomes, the initiative is no longer operational. A new mechanism needs to be developed that encourages municipalities to become dynamic partners in changing the circumstances of the Roma community within their localities.

Non-Governmental Organisations

There are several Non-Governmental Organisations (NGOs) in the Slovak Republic which proactively furnish support and assistance to the Roma community. Refworld (2014) identified many NGOs as being involved in addressing Roma issues in the country, but very few offer training support for employment or self-employment. The following lists those who help in this way:

- Association for a Better Life – its mission is to support Roma marginalized communities in eastern Slovak Republic by raising educational and employability levels.
- Pontis Foundation – supports employment for minority communities such as Roma.
- Young Roma Association – provides social counselling for Roma, plus employment and education programmes.

These organisations are proactively seeking to enhance the levels of education and employment amongst the Roma community. Those who were interviewed from these NGOs spoke of the substantial challenges in securing finance for any initiatives with the Roma community, developing training and support initiatives that would accomplish high levels of participation and achieving meaningful results due to the complexity and multiplicity of the economic and social problems within the community. Because of the nature of these challenges, few initiatives were believed to be available that were focused solely on training Roma to start their own business. It was suggested that a programme such as the Network for Teaching Entrepreneurship (NFTE) would be a welcome addition to the provision of programmes targeted at the Roma community in the Slovak Republic, since NFTE is specifically designed to provide entrepreneurial training to young people in disadvantaged communities. The NGOs recognise the entrepreneurial capacity of the Roma community, but believe that gaining education and employment is the most effective method of building a better future for participants on their programmes.

The Brussels-based organisation REDI (Roma Entrepreneurship Development Initiative) is a start-up stage investing NGO established to focus on catalysing new approaches to business development and financial inclusion of Roma entrepreneurs. In 2019, REDI announced a call to train five Roma Business Facilitators in each of the following countries: the Slovak Republic, Hungary and the Czech Republic. The purpose of the business facilitators training was to enable Roma personnel to assess and assist the needs of potential and nascent Roma entrepreneurs in their communities. More recently, it announced an e-accelerator programme for Roma Entrepreneurs in Romania, Serbia and Northern Macedonia (Box 8.4). REDI is funded through a variety of sponsors and revenue streams, and operates

across a number of Central and Eastern European countries. In the Slovak Republic, it works in collaboration with the Association of Young Roma, which has been operating since 1999.

Box 8.4. Roma Digital Boost Programme in Romania, Serbia and Northern Macedonia

Description of the approach

The Roma Digital Boost Programme is designed to be an e-accelerator programme for Roma entrepreneurs. It aims to support 60 Roma entrepreneurs to help them digitise their business so that they can maintain their activities during the COVID-19 crisis and recovery. It is open to both formal and informal entrepreneurship activities, and a specific outreach effort is envisaged to attract female Roma entrepreneurs.

The programme will be delivered through an interactive online platform that facilitates interaction between participants and with trainers and mentors. The programme will be offered in four languages (Romania, Macedonian, Serbian and English) and will be structured in four modules:

5. Business Modeling – Digital Transformation
6. Impact management
7. Content Marketing & Storytelling
8. E-Commerce

The programme will also provide awards with financial support to those who have the most promising potential for online businesses.

Factors for success

The two critical success factors for the programme will be the digital skill level of the participants and their access to regular internet connectivity. It appears that young Roma entrepreneurs will be the most likely to benefit since they likely have the highest levels of digital skills.

Contact point

REDI at romadigitalboost@redi-ngo.eu

Source: Roma Entrepreneurship Development Initiative (2021)

Social enterprises

The utilisation of local social enterprises was frequently highlighted by interviewees for this review report as potentially the most effective method of securing labour market attachment for Roma. Some of these social enterprises were started by municipalities (e.g. Spišský Hrhov) or by NGOs (e.g. Young Roma Association). These social enterprises employ Roma and through a combination of training and job experience, provide them with the skill-sets to secure permanent employment away from the social enterprise. While the long-term results are not officially documented, many interviewees for this reinforced the value of these initiatives. Research by Kolesarova (2012) reasoned that municipal enterprises serve as a tool against high unemployment rates; create new job opportunities and employ disadvantaged citizens (thereby supporting disadvantaged communities); develop working skills and habits; raise employability of hard-to-employ workers from marginalised communities; lower dependency on social welfare assistance; develop services according to the local needs; use local resources as soon as firms are tailored to local condition; ensure sustainable development of municipality; and support regional development which contribute to the elimination of inter-regional

disparities. International experiences such as EPEKA in Slovenia (Box 8.5) show that the engagement by Roma in these social enterprises frequently leads to long-term labour market activation through securing permanent employment or created their own business.

Given these success factors, it would be anticipated that many municipalities and NGOs would be utilizing this method of increasing labour market attachment and entrepreneurial activity amongst the Roma community, but the evidence suggests that such is not happening. The EU funded ROMACT programme enabled 13 municipalities in the Slovak Republic to receive funding and training for developing social enterprises, but that initiative ceased in recent years. It was also highlighted by an interviewee that several municipalities had come together to create their own support group and learn through peer-to-peer mentoring, but this network is relatively small. According to Dimitrova (2016), municipal social enterprises have several weaknesses with the principal one being that are contingent upon the support of the mayor and local council (a view expressed several times also by interviewees). There are also some restrictions regarding the manner in which they are delivered since they are financially dependent on the jobs being subsidised by the active labour market policy. However, one could argue that since social enterprises are supporting labour market activation and business creation, the cost-benefit to the exchequer of such policies is justified.

A European Commission (2014) report estimated that there were 24 municipal social enterprises at that time in the Slovak Republic (although not all focusing on Roma), but that the general concept of social enterprise had not yet gained momentum. The prospects for municipalities to engage more proactively in social enterprise activity continues to exist and a significant opportunity awaits multiple stakeholders to pursue this approach towards increasing the rate of labour market attachment and entrepreneurial activity amongst the Roma community. However, it should also be highlighted that social enterprises can also be started by NGOs or by social entrepreneurs and so actors other than municipalities can establish a social enterprise. An excellent example of the Roma community creating its own social enterprise is WASCO (see Case Study 4) which was established by the Association of Young Roma and has been operating successfully for over 20 years.

Box 8.5. EPEKA, Slovenia

Description of the approach

The Association EPEKA, Soc. Ent., has been active in the field of social entrepreneurship since 2012. The focus of its activities is on the inclusion of Roma in the social entrepreneurship and the labour market.

The project Social Entrepreneurship for Roma seeks to:

- include 10 people from vulnerable groups in mentoring schemes;
- employ 1 person from vulnerable target groups to promote social entrepreneurship;
- establish two social entrepreneurship initiatives in the Western regions.

The association's first initiative was in the area of tourism – a Roma camp in Styria region where visitors could experience the “Roma way of life” right by the motorway. This includes sleeping underneath the stars, dancing, cooking and traditional cuisine.

The second was the establishment of the European Capital of Roma, where one city in the European Union will be named the European Capital of Roma. In addition, selected cities would hold cultural activities. The goal is to facilitate structured dialogues between NGOs, policy makers and the general public about the inclusion of Roma in society and to give some profile to the challenges that they face.

The project is supported by the European Social Fund and Ministry of Economic Development and Technology.

Factors for success

The most important element in supporting the Roma was the intensive mentoring that was delivered as part of this initiative.

Source: MATEO (2020)

Box 8.6. WASCO

The Association of Young Roma (AYR) is an NGO working for disadvantaged Roma since it was established in 1999. To help achieve its goals, in 2014 AYR established the Horehronie Multifunctional Centre in Valaská in conjunction with two other NGOs. The main driving force behind WASCO since its foundation in 2014 is Ivan Mako, who is now Chairman of the Board of Directors. Through his work with AYR, he identified the opportunity to design and develop a social enterprise in this locality that could offer support to people in highly disadvantaged situations. The principal activity in the 900 square metre building is a laundry service which employs 40 people, washes 20 tons of laundry per month and involves 30 000 km of trips every month to collect and deliver laundry. WASCO also has a small social community kitchen where people can learn to cook food but it needs more funding to sustain this activity.

WASCO began by clearing the debris from the derelict factory building and its initial reconstruction took 18 months (the process is still on-going). It received some funding from national and international sources to help get it started. During this phase, 125 people were involved in the work and when it was finished, approximately 25 people secured employment elsewhere. Within the building, WASCO also has a Community Centre which provides services to children and adults. WASCO offers working, training and educational opportunities to a variety of disadvantaged groups including long-term unemployed, single mothers with children, health-disadvantaged, Roma from marginalised communities, young people and those over the age of 50. The initiative began by offering employment to people who had been unemployed for 15-20 years. By providing support, advice and education, it assists its clients to develop life skills, good working habits and healthy self-confidence, while also learning to take responsibility for their lives.

Ivan Mako believes that the success of the initiative is based on trust and equality between the works and management. He highlighted that the association cannot offer good wages but that it can offer a good work environment and a feeling of self-worth. He also believes that it is important that the employees give good quality work in return and that they feel as if they are working for themselves (all profits generated are reinvested in the business). Ivan states that people who are employed have multiple personal issues (including financial debts to loan sharks) and that all need to be addressed over time as part of their personal development. The support programme usually takes more than two years and each employee has a maximum of three years with WASCO after which time they must seek employment elsewhere. Ivan believes that other social enterprises do not follow the WASCO model because of the complex nature of the problems of each individual, the long time needed to address them and the modest number of Roma that finally return to the workforce. However, he has seen the fantastic results that can occur and firmly believes that the rewards are worth the hard work.

Source: Visit to WASCO and interview with Ivan Mako.

The Slovak Republic adopted a 'Social Economy and Social Enterprise Act' in 2018, which created new comprehensive legislation for the operation and support of social enterprises (European Commission, 2019b). The Act expands the concept of social entrepreneurship, which was previously perceived as an active labour market policy instrument. It now recognises three forms of registered social enterprises, namely: (1) integration enterprises promoting the employability of unemployed and disadvantaged people; (2) social housing enterprises focused on the provision of beneficial renting houses; and (3) other registered social enterprises (community-based or public-benefit based) providing other types of socially-beneficial services. According to the European Commission report, the new Slovak regulation offers direct and indirect forms of assistance to social enterprises, which consists of financial instruments, demand-support and the compensatory forms of aid. This change in legislation should encourage a greater number of social enterprises to be established, whether by municipalities, NGOs

or social entrepreneurs. As of March 2020, 93 social enterprises were registered in the register of social enterprises, of which 92 were of the work-integration type (Kahanec et al., 2020).

An alternative form of assistance provided to the Roma community that has proven effective has been the introduction of Roma community centres. They primarily act as locations for social services and can be the source of communication of new initiatives. The pilot centres were initially tested by NGOs and many municipalities now have such centres which are supported by the European Union and / or the Ministry of Labour, Social Affairs and Family. The community centres work with Roma adults, advising them on issues such as housing, education and employment. The community centres seek funding opportunities which allow them to deliver training programmes for Roma adults relating to labour market attachment. Much of the support offered is one-to-one help as people require significant tailored assistance. Examples of dedicated entrepreneurship training or start your own business programmes were difficult to locate and instead it appears that any support for nascent or potential Roma entrepreneurs is provided on an individual basis. A future opportunity might exist to provide custom-designed social entrepreneurship training for Roma through these community centres.

International programmes

In recent years, there have been a number of international programmes that have sought to address the entrepreneurship challenges facing the Roma community. The following are some examples that have been identified:

- Pal Network for Support of the Roma Entrepreneurship (2017-19) – this was an Erasmus+ project led by a Czech partner (RomaPraha). The objectives of the programme were to develop a specific training programme for Roma based on skills for entrepreneurship and to supply tools for building and managing Roma businesses. The budget was approximately EUR 200 000 and eight Roma adults trained as youth trainers and put in charge of organising and facilitating camps for young Roma in their countries.
- Build your Future (2015-16) – this was an Erasmus+ project led by German partner (YEPP Europe) with the Slovak partner being the Association for Better Life. The five-module training programme started with soft skills training (communication, teamwork, creativity) and concluded with participants writing business plans and communication strategies, plus looking for financial sources through lending institutions and foundations. The budget for the programme was approximately EUR 250 000 and 20 young Roma in the Slovak Republic participated.
- Labour Plus Project (2009) – this initiative was led by a partner in the UK and included partners in Czech Republic, Greece, Spain, Netherlands, France and Hungary. The aim of the project was to support entrepreneurship in disadvantaged areas and with groups of minorities (including Roma) by creating ‘social entrepreneurship zones’. For example, in the city of Most in the Czech Republic, a small factory with simple production facilities and a special operating regime was built on a meadow next to the housing estate of a Roma community.

These initiatives were all EU funded and were assessed at the end of the project to determine if they had succeeded in delivering the goals set initially for each of the projects. It is not the general practice of the EU to assess the long-term benefits of each initiative, so it has not been possible to track how effective these programmes were in producing Roma entrepreneurs who started viable enterprises (or secured employment due to the skills developed on the programmes). However, they do offer interesting examples of international initiatives that sought to collaboratively support potential and nascent Roma entrepreneurs and they may provide inspiration for creatively-designed programmes for delivery in the Slovak Republic.

The Kiútprogram in Hungary (Box 8.7) provides an example of an international programme for microfinance that can provide inspiration for policy development in the Slovak Republic to support the establishment of businesses by Roma entrepreneurs.

Box 8.7. Kiútprogram, Hungary

Description of the approach

This group lending scheme ran from October 2010 to June 2012 and was based on the Grameen model. Field workers visited potential areas to promote the scheme and then re-visited the area to meet with interested participants for the intake interview. Selected participants were placed into loan groups and group members received their loans sequentially. Repayments were required weekly and missed payment meant that other group members did not receive their loans. Each group had a leader who had the responsibility of ensuring that members were meeting the loan conditions. Group leaders received their loans last.

The Kiútprogram targeted people in the most disadvantaged areas of Hungary, mostly, but not exclusively the Roma population. It aimed to fill a gap in the social support system by providing financial support, training and personal coaching to help people start businesses so that they can remain active in the labour market and society. Clients were recruited from regions with less than 60% of Hungary's median household income. The scheme prioritised women, however only 40% of the applicants and 48% of the clients were female. Interviews with clients – although not based on a representative sample – suggest that official numbers might over-report women's participation since many husbands or partners were the true business operator (UNDP, 2012).

The selection process had two steps. First, the field workers screened the potential settlements. In the period 2010-12, the field workers visited 202 settlements in order to make public announcements about the scheme and to organise local community meetings where information on the microfinance scheme and the supplementary business services was shared. When communities showed a high level of interest in the scheme, field workers then visited families to assess the economic and social conditions of the potential participants on site. They also completed the intake questionnaire with the families during these visits to collect basic information about the applicants and their households.

At this stage of the selection process, loan groups of 8 or 9 candidates were formed. Group meetings were organised and field workers explored the past business experiences of the group members. The group had to select a leader and to approve the group rules. Potential candidates also had to meet a number of selection criteria (e.g. have no unpaid taxes) and also had to create a simple but realistic draft business plan. The Credit Committee operated by the Managing Company evaluated the individual application packages, which included the on-site questionnaire, an evaluation by the field worker, the draft business plan, and an individual self-scoring, and made the final decision in consultation with the field worker.

Following the Grameen model, this scheme was based on group lending. Loan groups served as a substitute for the lack of collateral and as a forum for sharing experiences and mutual learning. Group dynamics and operating rules were intended to enforce repayment since the group members received loans sequentially, and on the condition of no failure. The group leader was the last to receive their credit. Loans were provided according to 3 schedules: a loan of EUR 670 to repay over 6 months; a loan of EUR 1 670 to repay over 12 months; and a loan of EUR 3 330 to repay over 18 months.

The European Union project 'Pan-European Co-ordination of Roma Integration Methods – Roma Inclusion: Self-Employment and Microcredit' was the principal financial source for the Kiútprogram (OECD/EU, 2016). The overall budget of the project (including operational costs and loan portfolio) was EUR 1.4 million. The European Union project provided pre-financing (85%) and the remaining share was assured after the official closure of the project. The Hungarian government co-financed the project management costs and after the end of the pilot phase, the project follow-up activities and some of the local projects were financed by private sources (mainly the Polgár Foundation).

Factors for success

Key success factors for the programme are set out below:

- Ensure strong field workers. The field workers proved to be the key actors in the implementation phase. The Kiútprogram provides good lessons on the selection of field workers and the diversification of their tasks. The simultaneous roles of being social worker and loan agent and the complexity of the related services may turn out to be a barrier. It may therefore be necessary to differentiate the responsibilities and hire staff members specialised in these different roles separately.
- Utilise intensive outreach. The scheme aims to assist disadvantaged groups in disadvantaged areas. The key to reaching this group, so that it is aware of the available support, is to go into the field and interact with them directly. This also has the advantage of identifying potential candidates and building trust between the field workers and the clients.
- Develop realistic targets. This scheme had to make major adjustments during the pilot phase because it was clear that it was too ambitious and too selective. As a result, the profile of the target client changed and many of the social objectives were compromised. It is important to undertake an ex ante evaluation to ensure that the project design matches the objectives and targets.
- Ensure that loans are appropriate. The size of the loan offered should be tailored to the business environment and the needs of participants' businesses. This implies higher start-up capital in European countries than in the developing country context where this type of approach originated.

Obstacles encountered and responses

The intake process was revised after the first year due to slow uptake and poor performance of the first cohort of clients. The key issues and responses are as follows:

- Meeting objectives and targets. The scheme changed its target market substantially during its 3-year run.
- Participant selection was a challenge. It was difficult to identify potential entrepreneurs who met all of the selection criteria and as a result, many participants were not successful.
- Participants were located in disadvantaged areas and therefore faced the challenge of having relatively weak regional markets and business networks. They heavily relied on their field worker for support.

Impacts

192 people from disadvantaged groups applied, with 138 being selected for participation in the scheme. Some 95% of clients claimed that their main source of funding to start their own businesses was through the scheme. Some 45% of businesses were still operational one year after the participants had completed the scheme.

Relevance for the Slovak Republic

This programme represents an innovative approach to supporting Roma entrepreneurs.

Contact point

Polgar Foundation in collaboration with Raiffeisen Bank, with EU financing.

Source: World Bank (2012); OECD/EU (2016)

Conclusions and policy recommendations

While exact statistics are difficult to establish, there is significant evidence highlighting the low rates of labour market attachment experienced by the Roma population. The causes for this situation are multifaceted, with the principal reasons including poor levels of education, impoverished housing, low scales of employment-related skills and discrimination by the non-Roma community. Research on minority and disadvantaged communities internationally has highlighted that in such situations, the minority community will frequently engage in entrepreneurial activity as an alternative option to income generation. However, there is a gap in formal self-employment by the Roma community in the Slovak Republic compared with that generally found in disadvantaged populations in OECD countries. Where successful formal entrepreneurial activity does take place, prior work experience has frequently been attained through social enterprises or through working abroad. This implies that pathways to Roma labour market attachment in the Slovak Republic may be supported through support for social enterprises providing work integration services, including municipal enterprises, as well as by providing more comprehensive support to self-employment.

Multiple international reports have highlighted the lack of progress in changing the circumstances of the Roma community in the Slovak Republic and the lack of commitment by key stakeholders to implementing the recommendations of such international reports. These reports have offered detailed recommendations relating to improving labour market activation rates for Roma and which organisations might take lead responsibility for realising these recommendations. This report focuses more closely on the role of entrepreneurship in increasing labour market attachment among Roma. Two stages of development are advised. The first stage offers recommendations for labour market attachment through social enterprises that provides Roma with the opportunity to develop their skills and gain work experience, while the second stage offers recommendations for starting their own business.

Box 8.8. Key policy recommendations on inclusive entrepreneurship – focus on the Roma community

Labour market attachment through social enterprises

- The Office of the Slovak Government Plenipotentiary for Romani Communities should introduce into its planning a strategy for the introduction of 40 additional municipal social enterprises by 2025. The Office should identify key stakeholders to provide detail to the plan and determine key targets to be achieved.
- The Ministry of the Interior of the Slovak Republic should be responsible for securing the required funding to achieve the strategy and dispersing the ring-fenced funds dependent upon the municipalities achieving agreed targets.
- Conferences and government meetings where the Mayors of municipalities gather should be targeted by the Office of the Plenipotentiary to provide awareness, training and promotional support for the establishment of municipal social enterprises. A network of participating municipalities should also be established to enable peer-to-peer learning across the duration of the strategy.
- The Ministry of Labour, Social Affairs and Family of the Slovak Republic should review the amount of money that people on welfare benefits receive when they participate on a social enterprise programme to ensure that they will not be disadvantaged financially because they participate in such a programme. Any anomalies whereby a person entering a social enterprise programme is financially worse off should be identified and addressed.
- Programme participants should be paid their salaries through formal bank accounts to help build a personal credit history.

Business creation and self-employment by Roma people

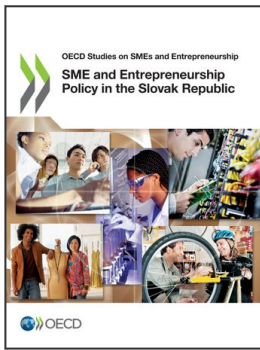
- The Office of the Plenipotentiary should invite a small number of successful Roma entrepreneurs to create an 'Association for Roma Entrepreneurs' to help identify and promote Roma entrepreneurs as role models within the community.
- The Association of Roma Entrepreneurs should be supported to introduce initiatives such as job shadowing and mentoring whereby nascent Roma entrepreneurs can learn from established entrepreneurs.
- A microfinance programme should be introduced for Roma entrepreneurs, potentially managed by the Association for Roma Entrepreneurs. The Ministry of the Interior of the Slovak Republic should be responsible for securing the required funding to achieve the strategy and dispersing the ring-fenced funds dependent upon the Association achieving agreed targets.
- A one-stop shop or telephone line should be made available to provide access to business and legal support for nascent and established Roma entrepreneurs. This could be provided either through the labour offices or by the Association of Roma Entrepreneurs

References

- Azoulay, P.; Jones, B.F.; Kim, J.D. & Miranda, J. (2020). Age and High-Growth Entrepreneurship. *American Economic Review: Insights*, 2 (1): 65-82.
- Bosakova, L., Madarasova Geckova, A., van Dijk, J. P., & Reijneveld, S. A. (2019). Increased Employment for Segregated Roma May Improve Their Health: Outcomes of a Public–Private Partnership Project. *International journal of environmental research and public health*, 16(16), 2889.
- Cho, Y., Robalino, D. & Watson, S. Supporting self-employment and small-scale entrepreneurship: potential programs to improve livelihoods for vulnerable workers. *IZA J Labor Policy* 5, 7 (2016). <https://doi.org/10.1186/s40173-016-0060-2>
- Collins, M. (2017). Supporting Irish traveller entrepreneurship. *Small Enterprise Research*, 24(1), 88-92.
- Cooney, T.M. and Flynn, A. (2008). Mapping Ethnic Entrepreneurship in Ireland. Enterprise Ireland, Dublin.
- Dimitrova, R., Musso, P., Abubakar, A., Šolcová, I., Stefenel, D., Uka, F., Tavel, P., and Jordanov, V. (2016), “Identity Resources for Positive Adaptation of Roma Ethnic Minority Youth in Albania, Bulgaria, the Czech Republic, Italy, Kosovo, and Romania”.
- European Commission (2019a). 2019 Report on National Roma Integration Strategies: Key Conclusions. European Commission, Brussels.
- European Commission (2019b). Peer Review on Social economy and social enterprises in legislation and practice. <https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&newsId=9365&langId=en>
- European Commission (2014). A map of social enterprises and their eco-systems in Europe: Slovakia. European Commission, Brussels.
- European Parliament (2016), “The social and employment situation in Slovakia and outlook on the Slovak EU Presidency 2016”, *Policy Department A, Economic and Scientific Policy*, European Union, Brussels.
- EU (2016), Second European Union Minorities and Discrimination Survey, Roma – Selected findings, European Union, Agency for Fundamental Rights.
- Foley, D. and Cooney, T.M. (2017) – Entrepreneurship, Enterprise and Irish Travellers – Small Enterprise Research, Vol. 24, No. 1, pp 73-87
- Friedman, E., Kriglerová, E. G., Kubánová, M., and Slosiarik, M. (2009), “School as Ghetto: Systemic Overrepresentation of Roma in Special Education in Slovakia”, Budapest: Roma Education Fund.
- Gatti, R., Karacsony, S., Anan, K., Ferré, C., & de Paz Nieves, C. (2016). Being fair, faring better: Promoting equality of opportunity for marginalized Roma. The World Bank.
- Hrustič, T. (2015). Notes on Relations between Lenders and Borrowers in a Segregated Taboris. *Gypsy Economy: Romani Livelihoods and Notions of Worth in the 21st Century*, 3, 31.
- Hurrell, J. et al. (2012). Uncertain impact: Have the Roma in Slovakia benefitted from the European Social Fund? Findings from an Analysis of ESF Employment and Social Inclusion Projects in the 2007 – 2013
- ILO (2016). Promoting decent work opportunities for Roma youth in Central and Eastern Europe: an ILO resource guide / International Labour Office, Decent Work Technical Support Team and Country Office for Central and Eastern. Europe - Geneva: ILO
- Kahanec, M., Kovacova, L., Polackova, Z. and Sedlakova, M. (2020), “The social and employment situation of Roma communities in Slovakia”, European Parliament,

- [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/648778/IPOL_STU\(2020\)648778_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/648778/IPOL_STU(2020)648778_EN.pdf).
- Kállai, E. (2005). Magaura Roma. Roma entrepreneurs in 1998. East European Monographs, 702, 247.
- Klimovský, D. (2010). Slovakia: Economic Problems Exacerbate Inequality and Social Exclusion. In: European Social Watch Report 2010: Time for Action: Responding to Poverty, Social Exclusion and Inequality in Europe and Beyond. Brussels: Eurostep, pp. 74–5, 82–3.
- Klimovský, D.; Želinský, T.; Matlovičová, K and Mušinka, A. (2016). Roma settlements and poverty in Slovakia: Different policy approaches of the state, local governments and NGOs. Anthropological Notebooks, Vol. 22 (1): 23–42.
- Kolesarova, J. (2012). Empowerment of Roma communities through municipal enterprises in the context of Slovak Republic. In: Penczes, J., Radics, Z. (Eds.): Roma population on the peripheries of the Visegrad countries. Integration issues and possible solutions. Debrecen, pp. 143-156.
- Macsó, Kinga. (2018). The 'Roma Question' in Slovakia. Acta Universitatis Sapientiae, European and Regional Studies. 14. 71-83. 10.2478/auseur-2018-0012.
- MATEO (2020), "Social Entrepreneurship for Roma", *Social Entrepreneurship*, <https://epeka.si/en/social-entrepreneurship-for-roma/>.
- Matlovičová, K., Matlovič, R., Mušinka, A., Židová, A. (2012). The Roma population in Slovakia. Basic characteristics of the Roma population with emphasis on the spatial aspects of its differentiation, in Penczes, J., Radics, Z. (Eds.): Roma population on the peripheries of the Visegrad countries. Spatial trends and social challenges. Debrecen 2012, ISBN 978-615-5212-07-9, pp. 77-104.
- Mušinka, A. et al. (2014). Atlas of Roma Communities in Slovakia 2013. UNDP Europe and the CIS, Bratislava Regional Centre, Bratislava.
- Mýtna Kureková, Lucia (2015). Policy Puzzles with Roma Employment in Slovakia. CELSI Discussion Paper No. 34, Bratislava.
- Nedelkoska, L. and G. Quintini, (2018), "Automation, skills use and training", OECD Social, Employment and Migration Working Papers, No. 202, OECD Publishing, Paris, <https://doi.org/10.1787/2e2f4eea-en>.
- OECD (2019), OECD Economic Surveys: Slovak Republic 2019, OECD Publishing, Paris. https://doi.org/10.1787/eco_surveys-svk-2019-en
- OECD/European Union (2016), Inclusive Business Creation: Good Practice Compendium, OECD Publishing, Paris, <https://doi.org/10.1787/9789264251496-en>.
- O'Higgins, N., & Ivanov, A. (2006). Education and employment opportunities for the Roma. Comparative Economic Studies, 48(1), 6-19.
- Pontis Foundation (2017). Business Leaders Forum: Employing the Marginalized Roma. Pontis Foundation, Bratislava.
- Radičová, Iveta. (2002). Rómovia na prahu transformácie. In: Vašečka, Michal (ed.), Čačpien pal o roma. Súhrnná správa o Rómoch na Slovensku. Bratislava: IVO. 213–247
- Rat, C. (2009). The impact of minimum income guarantee schemes in Central and Eastern Europe. In Post-Communist Welfare Pathways (pp. 164-180). Palgrave Macmillan, London.
- Ringold, D., Orenstein, M. A., & Wilkens, E. (2003), "Roma in an expanding Europe: Breaking the poverty cycle".
- Roma Entrepreneurship Development Initiative (2021), "REDI E-Accelerator Programme", *Roma Digital Boost*, <https://redi-ngo.eu/roma-digital-boost/>.
- Rosinský, R. and Tirpák, V. (2011). Community centres and their influence on education of Roma. Pomáhajúce profesie—Aktuálne trendy v teórii, výskume a praxi.

- Rosinský, R.; Matulayová, T. and Rusnáková, J. (2015). Evaluation Report. Implementačná agentúra Ministerstva práce sociálnych vecí a rodiny Slovenskej republiky. Bratislava.
- Scheffel, David Z. (2004), "Slovak Roma on the threshold of Europe", *Anthropology Today*, Vol. 20, No. 1, pp. 6 – 12, <https://doi.org/10.1111/j.0268-540X.2004.00246.x>.
- Slovak Republic (2019). Monitoring Report on the Fulfilment of the Strategy of the Slovak Republic for Romani Integration to 2020.
- Steger T, and Filcak R. (2014). Ghettos in Slovakia. Confronting Roma Social and Enviromental Exclusion. *Analyse & Kritik*; 36(2):229-50.
- UNDP (2012). Report on the Living Conditions of Roma households in Slovakia 2010. UNDP Europe and the CIS, Bratislava Regional Centre.
- United Nations Development Programme & Fundamental Rights Agency (2012). Data on vulnerability of Roma. available at: <http://europeandcis.undp.org/data/show/D69F01FE-F203-1EE9-B45121B12A557E1B>.
- Vano, B. (2002), "Projection of Roma Population in Slovakia until 2025. Infostat—Institute of Informatics and Statistics", Demographic Research Centre, Bratislava.
- World Bank (2012). Reducing Vulnerability and Promoting the Self-Employment of Roma in Europe Through Financial Inclusion. World Bank
- Žarković-Rakić, Jelena and Vladisavljević, Marko (2016), "Women's access to economic opportunities in Serbia, Technical Report", World Bank Group, Washington, D.C.



From:
SME and Entrepreneurship Policy in the Slovak Republic

Access the complete publication at:
<https://doi.org/10.1787/9097a251-en>

Please cite this chapter as:

OECD (2021), "Inclusive Entrepreneurship – Focus on the Roma Community", in *SME and Entrepreneurship Policy in the Slovak Republic*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/807efd36-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.