

Roma integration in Bulgaria: necessary reforms and economic effects*

The positive effects of Roma integration in society outnumber the annual volume of Bulgaria's consolidated state budget. These effects equal some 35 – 70% of the national GDP for 2006 and are comparable with the funds which Bulgaria will receive from the EU for the surveyed 10-year period. But for the integration to be successful, the politicians must risk some of their resources to support reforms which up till now seem to be undesirable for many of the parties (and the citizens).

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Methodology

"Integration" of Roma community is the state of affairs where it participates in the community life without being a separate community, with rights guaranteed for the individuals and protected against discrimination. "Non-integration" is just the opposite state and in the case of researching the Roma community in Bulgaria – the current state. As far as the status-quo of the non-integration is clearly visible, the integration regarded as a future and desired state, is subject to various scenarios, which are considered in this analysis.

The report is aiming at the following:

- | To describe the economic effects of Roma non-integration in Bulgaria;
- | To describe the main state economic policies which play role for the lack of integration;
- | To propose changes in the state policies which might contribute to the Roma integration;
- | To describe and (when possible) to measure the potential economic effects of integration as a result of the reforms proposed.

This report is based on the conviction that Roma inclusion in the economic life is crucial for their overall integration in the society. The economic integration is both an instrument to solve other problems ensuing from the lack of integrity, and a result of reforms in the state policies encouraging the non-integration. The analysis focuses on the identification of those factors which impede the economic integration and on its possible effects (not directly economic ones). Thus, in the cynosure there happen to be education, criminality, houses, mortality.

It is generally admitted that a change in the stimuli leads to a change in the behaviour. Thus, we accept that Roma like other people are rational as individuals. Rationality presupposes that they would react to a changing environment – both to the market signals and the various state policies concerning directly their life and welfare.

Problematic spheres

1. Poverty and social services

According to a report of the UNDP, about 80% of the Roma define themselves as unemployed and only a little bit over 50% can be classified as such, according to the broad definition of "unemployment" of the International Labour Organization. Towards 1997 87% of the Roma happen to be under the poverty line. According to a report of the World Bank, in 2001 about 62% of the Roma have been evaluated as "poor". According to the National Plan to Combat Poverty and Social Isolation of the Ministry of Labour and Social Policy, from 2005 about 64% of the Roma were "poor" towards 2003. According to another analysis from 2004, only 22% of Roma consider themselves as having a job.

Roma are beneficiaries to a large number of social programmes, on the base of which they receive considerable amounts of money – between 276 and 432 million leva annually. With integration that is directed to higher incomes from labour, Roma would not need welfare benefits which will relief the state budget. On the other hand, a part of the social programmes are designed in such a way that now they create dependency and encourage avoidance of being (legally) employed, i.e. in a way they stop the integration of Roma people. For example, according to a labour market research of the US Agency for International Development:

"One of the parents would start work only if he/she would receive a gross salary which would guarantee income at hand higher than the benefits. Let's call this level of the gross salary 'minimum level of motivation to start work'. Thus for example, in a family with two children and two unemployed parents the initial salary so that one of the parents would start work should be higher than 141 leva while in a family with 7 children should be close to the average for the country, or 290 leva."

If we are to illustrate this choice, let us imagine the following hypothetical situation – someone has the opportunity to receive welfare benefits to the amount of 250 leva without any necessity to work or would (try to) find an 8-hour working day job from which he/she will earn 250 leva.

A change in the social programmes focused on increasing the stimuli for work, education, raising qualification, setting deadlines for receiving them would change significantly the effects of those programmes. A good example can be the 1996 US welfare reform, which has the following characteristics:

- ı A requirement for the recipients to work, for an increasing percentage of the welfare benefits recipients (the required percentage employed is deducted with the percentage of decrease of recipients of welfare benefits);

- | A reduction of the taxation threshold (loss of income) when getting from welfare to work;
- | More severe penalties for non-compliance with the requirements for welfare benefits;
- | Established a lifetime limit on cash assistance;
- | Increase of financial stimuli for work.

The results of the welfare reform in the US were more than positive:

- | The rate of employment among single parents which were affected to the most by the reform, for the last 15 years has increased significantly – from 60% in 1994 to 72% in 1999.
- | The rate of employment among single mothers that have never got married (the group with the lowest level of education and with the lowest level of welfare benefits) increased even further – from 57% to 65% for the same period.
- | In 1994 the recipients of welfare benefits reached the historical maximum of 5.1 million. After that, a decrease occurred and in the following 7 years the number of welfare benefits recipients decreased with some 60%.
- | The number of Afro-American recipients decreased with 52% and that of the Spanish-speaking with 44% (the smaller decrease perhaps is due to the immigration). According to another research, the poverty among the children of color decreased to a historical minimum.

2. Reforms to increase the rate of employment

There are significant obstacles that Roma experience when searching for job. To eliminate those obstacles would offer them a lot of opportunities. Some of the obstacles are:

- | lack of flexibility on the labour market
- | higher level of the minimum salary
- | higher tax and insurance load on labour
- | insufficient rates of economic growth
- | too regulated markets
- | deforming unemployment payments
- | inefficient system for job search
- | level of education
- | higher taxation threshold after exit from the welfare system
- | obstacles for the entrepreneurship
- | high level of employment in the public sector
- | compulsory military service.

Achieving a serious progress in overcoming the above obstacles is a precondition for a considerable increase of employment rate among Roma minority, which on its part will lead to

higher incomes and a growth of the added value in economy.

3. Access to quality education

One of the serious problems that has a deep negative impact on the Roma development is their educational background. At the moment, the educational system fails to include them in full and even to give them the necessary level of literacy, knowledge and skills.

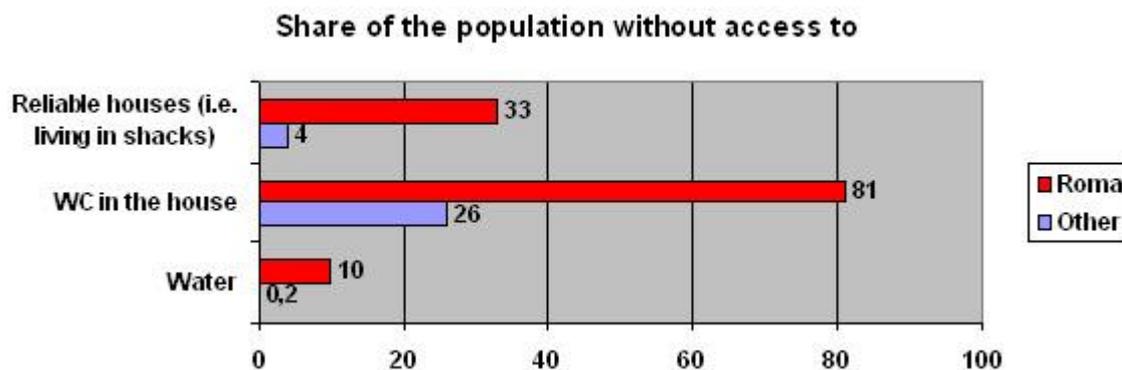
Schools shall be encouraged to enroll and educate Roma children, which can be done through introducing the principle "money follow the student". On the other hand, financing shall be bound to the results achieved by the students (reaching certain minimum standards). Inclusion of teachers through appropriate stimuli and differential payment, as well as decentralization of the educational system management also could be an important step.

Table: Population according to the educational status, 2001

	Total	Share	Roma	Share
Higher	882 795	20,7%	443	0,3%
Secondary	2 063 011	48,4%	11 075	6,9%
Elementary	1 051 338	24,7%	71 521	44,8%
Primary	182 111	4,3%	43 819	27,4%
Unfinished primary	30 727	0,7%	12 445	7,8%
Illiterate	49 475	1,2%	20 341	12,7%
Total	4 259 457		159 644	

4. Housing, living conditions and segregation

According to researches, Roma live in limited space, in temporary buildings (shacks) and without access to basic sanitary facilities. This is due to poverty, bad infrastructure of the segregated Roma quarters, houses not in compliance with the regulations, settling on municipal land without permission. Our approach in this case is focused on people, not on houses. Improvement of the situation can be achieved through increasing the income and moving to other residential quarters, as well as through improving the conditions in the Roma quarters – infrastructure and economic climate.



One of the problems refers to the land ownership and the legitimacy of the buildings. The legal uncertainty generates in Roma exclusively short-term attitude towards houses. This can be improved through transfer of ownership of land to Roma who live on it, improving the infrastructure and assistance in complying with regulatory standards for territory planning.

General evaluation of the economic effects from Roma integration

Our vision of Roma integration is based on the necessity of a large number of reforms and elimination of the obstacles which now impede their successful inclusion in the economic and social life. This means that the major part of us stakes on increase of certain social or "integration" public expenses. On the contrary, as the analysis of the effects from the current policy of welfare benefits and models of financing main public services as health and education shows, the reforms presuppose just the opposite decision.

Therefore, the conditions necessary for the realization of the already described successful scenario of integration are the will of and the consistency in reforming several spheres of the state policy. A great number of those changes can be backed up not only with the desire to do something in regard with the Roma, but to be also used as an instrument of reducing the overall rate of poverty and increasing the welfare, although at the current moment the Roma community is mostly dependent on their realization.

Thus, the "price" of Roma integration is more political or in other words can be measured with the wasting of the political and electoral resources to support reforms which at the moment for a certain number of the parties (and the citizens) seem undesirable. The mere fiscal expenses are not very high; the total expenses for integration of Roma are evaluated to 0.7 – 11 billion leva for a 10-year period.

The positive effects of the Roma integration in the society are considerable. Through the saved welfare benefits, the reduced efficiency loss as a result, the increase of the labour put in and the

produced incomes, the lower rate of mortality and criminality, the benefits for the society of a full integration of Roma are between 15 and 30 thousand million leva (the current value for 2006 for a 10-year period). The positive effects of Roma integration outnumber the expenses some 20 – 30 times, however there are not included the effects related to the increase of the level of education ,as they need more time to show results.

For comparison – the positive effects of Roma integration in society are higher than the annual volume of Bulgaria’s consolidated state budget. These effects equal some 35 – 70% of the national GDP for 2006 and are comparable with the funds which Bulgaria will receive from the EU for the same 10-year period.

Benefits from Roma integration

BGN million	Minimum	Average	Maximum
Saved welfare benefits	2000	3150	4300
Reduced efficiency loss	667	1050	1433
Labour, income, GDP	8100	12650	17200
Lower mortality rate	2500	4400	6300
Lower criminality rate	1400	1400	1400
Total	14667	22650	30633

Expenses for Roma integration

BGN million	Minimum	Average	Maximum
Re-qualification, education	500	650	800
Houses and infrastructure	266	313	360
Total	766	963	1160

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