Microfinance and Roma empowerment in the EU: a mission impossible?

Abstract: Within the framework of the Europe 2020 strategy, the EU promotes positive actions to improve the situation of Roma population, particularly women. Despite the success of some measures, no impact in terms of employment has yet been achieved on the ground as described by the 2014 assessment report (Steps forward in implementing National Roma Integration Strategies). At the same time, the low employment rate of Roma population is a serious social problem which affects not only the economic growth but also their integration. This research explores if the practices of microfinance (not only provision of small scale loan, but also non-financial services) can improve the employment status and, empowerment of Roma, particularly, women. The basic idea is that microfinance can enable Roma people to become self-employed, through the provision of social support, financial services and information.

Key Words: Microfinance, Roma population, Entrepreneurship, Empowerment
Introduction

The empowerment of Roma people is considered one of the most strategic challenges that the EU faces, and at the same time, it represents a great opportunity for achieving the key targets of the Europe 2020 strategy. Despite the fact that important progresses in meeting the Europe 2020 goals have been made, poverty and social exclusion target is still far from being achieved. Particularly, around 10-12 million of Roma people in Europe face daily poverty, exclusion and discrimination. The situation is worse for women who receive multiple discrimination also within their own communities (EP, 2013). In the case of Roma women, poverty and exclusion emphasise their disadvantages with an additional burden on them (FRA, 2014).

The urgency of the Roma empowerment in the EU has never been greater than it is in the past few years. Since 2011, the EU institutions have paid attention to Romani’s conditions and, since then relevant steps for their integration have been taken. As a matter of fact, “The EU Framework for National Roma Integration Strategies up to 2020” adopted by the European Commission (EC) in 2011 integrates the objectives of the EU strategy for Roma inclusion in the frame of the EU 2020 Strategy. Within this framework, the MSs have to submit their national Roma strategies to the EC covering four areas of integration: education, employment, healthcare and housing. The findings formulated by the EC, are incorporated in the annual European Semester process. In 2013, the Council Recommendation on “Effective Roma integration measures in the Member States”, represented the first ever legal instrument for Roma inclusion adopted by the EU. Furthermore, the EU funds are available to MSs to finance social inclusion, gender equality and equal opportunities projects, including for improving Roma integration. Under the new financial period 2014-2020, at least 20% of the European Structural Fund allocation (around €16 billion) must be assigned for social inclusion. In this way, an appropriate amount of resources is secured for Roma integration.

---

1 The term "Roma" is used – similarly to other political documents of the European Council, European Parliament and Commission etc. – as an umbrella term including also other groups of people who share more or less similar cultural characteristics and a history of persistent marginalisation in European societies, such as the Sinti, Travellers, Kalé etc. The author is has no intention to assimilate the members of these other groups to the Roma themselves in cultural terms. The term Roma is used here is justifiable within the context of this paper dealing with issues of social exclusion and discrimination, not within specific issues of cultural identity.

2 Europe 2020 is a 10-year strategy proposed by the European Commission on 3 March 2010 for advancement of the economy of the European Union. It aims at “smart, sustainable, inclusive growth” with greater coordination of national and European policy.


3 For further information, see: http://ec.europa.eu/europe2020/pdf/targets_en.pdf

4 For further information, see: http://ec.europa.eu/justice/discrimination/roma/index_en.htm

5 The European Semester is the first phase of the EU’s annual cycle of economic policy guidance and surveillance. For further information, see: http://ec.europa.eu/economy_finance/economic_governance/the_european_semester/index_en.htm
Despite many successful strategies have been developed, the situation for Roma people in terms of employment is not improving in most MSs (EC, 2014). While improvements are visible in terms of education, training, housing and access to healthcare, challenges in terms of employment remain (EC, 2014). As described in the 2014 EC assessment report “Steps forward in implementing National Roma Integration Strategies” an impact on employment of Roma people has not yet been achieved on the ground (EC, 2014). Certainly, the economic crisis has played a fundamental role in reducing their opportunities on the labour market, but many MSs have not been able to put in action an integrated approach for engaging Roma communities. In the EU, unemployment rates for Roma are three times higher than for non Roma population. In addition to the ethnic gap, there is also a significant gender gap (FRA, 2014: 22) Particularly, the situation experienced by Roma women is worse than that of Roma man due to multiple constraints faced (FRA, 2014): traditional gender roles, low qualification, few options for childcare make access to the labour market more challenging. The lack of earning opportunities for both women and man, contributes to the Roma segregation and vulnerability. In this sense, they live with insufficient resources to maintain acceptable living conditions with consequences on the health and livelihoods (FRA, 2012). As shown in 2011 Roma Survey, 87 per cent of Roma live below the poverty line in the EU. Thus, the low employment rate of Roma is a serious social problem which affects not only the economic growth but also their integration and empowerment.

Considering the current situation, the idea that microfinance (MF) may be a viable tool for the empowerment of Roma people with a specific gender reference has aroused considerable interest. Principally, the 2014 Assessment Report claims full access to self-employment and micro-credit for Roma people. (EC, 2014: 5). The basic assumption is that MF supports self-employment with positive impact on employment. At the same time, access to credit is able to address the financial gap experienced by Roma. Since the 2011, the EU institutions have promoted self-employment and micro-credit as strategy for Roma employment. It can be easily detected, in the 2011 European Commission’s Communication on the EU framework for Roma (EC, 2011:7), in the 2012 EC’s Communication on the National Roma Integration Strategies (EC, 2012: 6), in the 2013 Council Recommendation (CoE, 2013:6,7). A further step in recognising self-employment and micro-credit as empowerment policies has been the adoption of the Employment and Social Innovation programme (EaSI, 2014-2020). Its specific axis on Microfinance and Entrepreneurship refers to fight against social exclusion and unemployment through the accessibility of credit and social entrepreneurship of vulnerable groups as women, young and old people, immigrants, disabled people and minorities groups. Particularly, there is a growing interest in using the potential of social economy in order to overcome structural disadvantages and discrimination faced by Roma in the labour market. In this sense, the idea that the development of self-employment activities with a social mission could be a viable step to promote Roma (and Roma women) empowerment is quite strong. As previously mentioned, self-employment has been conceived as employment strategy for vulnerable groups which ensures income generation in

6 With the findings of the FRA Roma pilot survey and the UNDP/World Bank/European Commission regional Roma survey carried out in 2011
7 For more information, see: http://ec.europa.eu/social/main.jsp?catId=1081
absence of paid work. However, the biggest obstacle of launching an enterprise is the lack of financial and social capital, especially for marginalized people. For this reason, unsecured microcredit in support of new enterprises could have a fundamental role not only in creating jobs, but also reaching empowerment. Through the provision of very small loans, people who are not considered bankable are able to create income-generating activities. In the EU scenario, these small loans aim at addressing social exclusion aspects such as poverty, low income and unemployment of excluded target groups (EMN, 2011). Thus, it can be argued that MF could be considered as a tool for social inclusion and employment. Particularly, MF may support the empowerment of excluded group from labour market, but with entrepreneurship attitude. With regard to the Roma population, self-employment activities reflect traditional patterns of household work distribution with only 13% of women involved (FRA, 2014). However, this figure may be an indication of female resignation in entering in the labour market or the decision to withdrawal from it. Thus, ensuring adequate tools and instrument is crucial to empower Roma women and to facilitate their access to labour market, hence fostering their economic independence.

Achieving a tangible improvement in Roma people’s employment requires a comprehensive strategy beyond the political will which has been shown at the EU level. Prejudice and negative attitudes towards Roma also among politicians and employees of public sector could be detected at MSs level. (FRA, 2008). Moreover, it is fundamental to prove the viability of the policies put in place. In this sense, policies supporting self-employment and micro-credit should have a broader focus going beyond income generation to ensure real empowerment. An important issue to clarify in promoting MF (and consequently, self-employment) is concerning its limits. MF is a powerful tool within a clear strategy of empowerment, but it cannot be considered as a panacea alone. In this sense, MF is able to foster the financial inclusion of marginalized people, taking advantage of economic opportunities only in coordination and alignment with other policies. With reference to Roma empowerment, the EU should be aware that there are some unrealistic expectations concerning the MF potential.

It seems quite complicated to present a standard picture of MF and empowerment of Roma people in terms of new opportunities. The intervention and methods used by Microfinance Institutions (MFIs) are different in relation of MSs conditions. Thus, it is fundamental to assess the real impact of such initiatives in terms of empowerment. Guided by a similar purpose, this research is intended to identify and present some issues related to the impact of MFIs in terms of Roma empowerment with specific reference to employment and gender dimension. In doing so, an overall picture of economic empowerment of Roma will be provided. Then, the notion of MF as enabling policy will be tested. The study is based on a desk-based review of an exhaustive range of juridical documents, policies and projects dealing with the topic. As there is scarce literature and best practices, this method enables to compare and contrast how the frameworks addressed challenge associated with MF.

**The economic empowerment of Roma: how did you fare?**

Discrimination of Roma on grounds of their ethnic origin represents a high obstacle for their economic participation in the EU. Limited access to quality education and training, unequal access to labour market opportunities and the absence of tools to advanced economically are the main sources of financial exclusion faced by Roma. (WB, 2014). As defined by the European Commission, financial exclusion refers to the inability of individuals, households or groups to access financial services in a way appropriate to their needs (EC, 2008). Access to financial services is fundamental for a deeper integration in today’s society and it is deeply interrelated with social exclusion (EC, 2008). In this sense, financial exclusion is experienced by people who lack access to essential services, housing, education,
jobs and health care. Roma are affected by financial exclusion more than others groups in the EU due to poor living conditions and high levels of economic insecurity (WB, 2012). When compared to the general population, Roma households make much less use of financial services including basic current and savings account (WB, 2012). In this respect, Roma women may face more difficulties since they are more affected by economic insecurity (EC, 2010). Besides their lower incomes, their dependence on their male partners could also limit women’s economic empowerment (EC, 2010). Thus, a comprehensive financial inclusion strategy including access to a wider range of financial service, financial literacy and skills training, is needed.

In this sense, a smart employment policy which takes into account the financial dimension of Roma people should be the key step towards their inclusion. As conceived by The World Bank, employment is more than just a source of income, it also provides several benefits in terms of living standard and social cohesion between groups and across societies (FRA, 2014). An effective employment policy should go beyond the income generation outcome, focusing on other aspects of exclusion such as education, gender empowerment and mind-set of non-Roma.

With a share of 30% of working-age people (against 15% in non-Roma), Roma population represent a great opportunity for future employment. Nonetheless, the current situation is characterised by a high unemployment rate, unstable and informal jobs, wages lower than non-Roma which leading to high incidence of poverty. (UNDP/WB, EC, 2011). Particularly, five obstacles make difficult to access to employment (Almedia et al., 2012). First of all, the inadequate level of education, lack of soft skills and work experience. Second, labour market discrimination. Third, low incentives to find a jobs due to mobility constraints and discouragement. Significant information gap regarding labour market and limited access to working capital for business activities are the constraints faced by Roma. As previously mentioned, Roma women face more inequalities and discrimination in many respect, also with reference to employment and financial inclusion (UND/WB/EC, 2011). Women are affected by barriers to employment in a severe way than men, even if the employment of women is often seen as an important factor for alleviating poverty (FRA, 2014).

**Which employment for Roma in the EU?**

With the exception of the Spanish ACCEDER programme⁸, random and inadequate policies have been implemented in terms of employment. Despite the establishment of *ad hoc* Active Labour Market Programmes⁹ (ALMPs), low level of education and skills, discriminatory attitude towards Roma, high level of participation in informal market and lack of access to public employment services remain mostly unaltered (WB, 2014).

In such a situation of discrimination, self-employment is conceived as a (easy) response to Roma unemployment, especially for the women. However, this requires access to information, credit, business development services and a more favourable institutional and social environment.(WB, 2012). Furthermore,

---

⁸ For more information, see: https://www.gitanos.org/que-hacemos/areas/employment/acceder.html

⁹ Active labour market policies (ALMP) are being implemented to increase employment opportunities for job seekers and improve balance between jobs available and qualified employees. http://ec.europa.eu/europe2020/pdf/themes/24_almp_and_employment_services.pdf
When Roma meets (small) credit: the rise of (self)employment

As a result of the higher rate of unemployment and persistent poverty, entrepreneurship has recently been receiving attention in tackling Roma policies. It is considered as possible solution to labor market failure, increasing employability and income. In this framework, MF can be a valid tool in supporting entrepreneurship in people without other formal employment options. Nevertheless, its impact in terms of employment creation cannot be assessed correctly by comparing MF to alternative of doing nothing (Bateman, 2010).

With regard to Roma employment, the provision of small loans should be able to guarantee a regularly source of income. However, these self-employment activities could generate small profits just for the mere subsistence. Moreover, not all Roma would like to run enterprises of all kinds or have the skills, vision, creativity, and persistence to be entrepreneur. It quite questionable whether it is a misuse of the EU’s labor force to let Roma population operate with low productivity and willingness.

According to recent data, 67% and 58% of Microfinance institutions (MFIs) operating in the EU proclaimed as mission Micro-enterprise and job creation (EMN, 2014). In addition, 87% of MFIs declare at least one employment goal in their mission. (EMN, 2014). Despite the EU is promoting Roma people as an important target group for micro-credit provision , the value of micro-loans disbursed to Roma is significantly low (EMN, 2014). Lack of collateral, indebtedness , low level of education make Roma as difficult target to serve (WB/UNDP/EC, 2012). As conceived by the EU policy-makers, MF should address Roma unemployment identifying areas of opportunities in the society. Behind all the EU initiatives and efforts, there is the idea that MF will affect positively the life of recipients. However, this type of approach can limit the measurement of impact between outreach and sustainability, without any considerations about others variables occurred. In particular, MF policies do not take into account the spilover negative effect on people not-receiving the small loans: former self-entrepreneurs could indeed suffer from loss of job, lower income and unfair competition when other worker would enter their market through MF measures. In addition, it is fundamental consider not only what happened at community level but the “sustainability” of the new enterprise (Bateman, 2010).

In general women’s empowerment is recognized as one of the main contribution made by MF. Women can benefit from access to credit by taking advantage of income-generating activities. Generally, self-employment activities positively influence women’s decision-making power and enhance their overall socio-economic status. However, differences in social attitudes, contest and literacy can affect the empowerment. For example in Roma communities, women could not have control over their loan and activity. Or, the new socio-economic status can deteriorate social ties and relation. Thus, in measuring the impact on Roma employment should consider in which way women benefit from job creation.

Tracing the impact of MF on Roma employment is quite challenging. Firstly, there is a scarcity of data available due to lack of case studies and the way of measuring some social aspects related to context, empowerment and social relations. In addition, data have to be contextualized because there is different factors that determining and influencing jobs creation. Thus, it is hard to establish a consistent link between MF and employment creation. Generally, the MF impact on employment could be overestimated, because investigations do not take into account possible “spillover” effects or negative impact. Measuring the impact of MF on employment is not an easy task. However, some considerations can be made towards a better understanding of the Roma job created (or not). MF can positively contribute to job consolidation rather than job creation. In this sense, self-employment
activities should be an option and not the only possibility offered to people in the labor market. In promoting entrepreneurship, the EU should identify skills requirements needed for efficient self-employment activities. For being successful, value chain and integrated enterprises should be supported. With this regards, MF could play a fundamental role by creating specific mechanism and providing tailored solutions to Roma people. In addition, an assessment in terms of unit cost of employment creation should be done. From the public authorities perspective, a MF program is successful if the unit cost of employment creation is not higher than the one created by the active labor market policies. On the other hands, from the perspective of private investor, a MF program is successful only if profitable. Furthermore, the EU policy-makers should focus on generating sustainable jobs in the private sector to facilitate Roma employment. The introduction of employment measures targeting Roma people, should be done within the framework of well-coordinate mix of economic policies and activation measures. In fact, an important aspect is linked to the quality of job creation. As conceived at policy-makers level, jobs for Roma are simply designed for increasing employment rate without any longer-term goals. Considering the situation, a new approach is required. Lastly, the positive/negative impact of MF can be detected also in terms of costs avoided for social integration. The creation of employment should have positive or negative effects on the overall level of integration in the society.

Which role for MF in the empowerment of Roma people in the EU?

Self-employment activity and entrepreneurship represent more a necessity than an alternative in some areas and for specific groups affected by high level of economic crisis. Especially for Roma population is easier to become an entrepreneur than becoming an employee, with 6% of Roma population involved in entrepreneurship activities (FRA, 2014). Particularly, the majority of self-employed Roma is currently running a micro-business as occasional job in the informal sector (WB, 2012). Generally, a large share of Roma men (32%) report being interested in becoming self-employed in comparison with 25% of Roma women (WB, 2012). This figure may be an indication of higher level of discouragement who Roma people experienced in the labour market. As a matter of fact, many Roma have already experienced some form of self-employment such as street trading, collecting scrap or selling the Big Issue in order to earn some income (Roma MATRIX, 2015).

As previously reported, the lack of financial capital is one of the biggest obstacle encountered by Roma. At the EU level, MF is conceived as the provision of very small loans\textsuperscript{10} to entrepreneurs, to social economy enterprises, to employees who wish to become self-employed, to people working in the informal economy and to the unemployed and others living in poverty who are not considered bankable (EU, 2007). In this scenario, these small loans aim at addressing social exclusion aspects such as poverty, low income and unemployment of excluded target groups (EMN, 2011). However, for the most vulnerable groups of the population social capital, mentoring and other services related to the launch of new enterprises are equally important. In the current situation, Roma communities face systematically exclusion from the provision of basic (non)-financial services with high consequences on the level of their integration. At the same time, access to credit is not sufficient for a beneficial development of Roma people. In this regard, MF could offer a wide range of financial and non-financial services, beyond the provision of small scale loans. In this way, it could really play an effective role in Roma.

\textsuperscript{10} Less than 25,000.00 EUR
In order to deliver empowerment for Roma, a broad approach is required. Micro-savings, micro-insurance, housing, financial literacy and skills development can address important aspects of vulnerability suffered by Roma. As previously detected, women may be more excluded from accessing micro-savings, micro-insurance, education and training due to gender-biased rules in community as well as financial institutions (Giasbert, 2013). The opportunity to obtain insurance, as well as a saving or training course may then be heavily influenced by gender differences in family. In this regard, MF may be addressed to help Roma families and particularly, women, better managing their budgets, avoiding problems around larger costs such as health care costs or firewood before winter, or enabling step by step living conditions improvements such as housing. Furthermore, MF may facilitate the transition of Roma towards social economy, providing credit, capacity building and technical assistance. By the strengthening of social economy, innovative employment, strong local development policies, provision of services to people, active citizenship, social cooperation and solidarity will be enhanced (EC, 2013). Particularly, women could be positively affected by this transition.

In designing MF action, sustainability, gender, equity, proximity and inclusion should be put together. If all those elements are able to interact correctly, MF may have a larger impact in reducing vulnerability. In order to have Roma empowerment, EU policy makers should overcome the "financial only" approach. MF should be promoted by the EU as active inclusion tool, rather than employment generation one. Obviously, this approach requires social emmddedness and an institutional bricolage in order to negotiate equal treatment for Roma in the society. Thus, a successful empowerment programme should incorporate MF, promoting an inclusive development. In such settings, MF may require subsidies in order to provide non-financial services or should be delivered in the framework of public programs. Thus, beyond the political will, good policies, well-designed programs, a further financial commitment is requested for tackling Roma exclusion.

Conclusion

Within the context of the Europe 2020 Strategy, entrepreneurship is seen as a means of boosting employment and in particular to reach the European employment target of 75% for women and men throughout the EU by 2020. Specifically, entrepreneurship could be a viable tool for empowering vulnerable groups affected by high level of exclusion and, unemployment. In addressing Roma unemployment (and, indirectly, empowerment), the EU promotes self-employment activities through the provision of MF. The assumption is that it could be used to improve the living conditions of Roma, and to promote social and economic inclusion. Through the provision of small amount of credit, Roma are able to set up self-employment activities and to earn income overcoming labour market failure.

However, MF conceived as employment-generation policy is not able to provide the Roma empowerment expected. Access to credit cannot solve structural problems that affect Roma in the labour market. Promoting self-employment activities without well-designed policies and long-term strategy, leads to misuse of public money and efforts. Most of Roma people living in the EU have already experienced some forms of self-employment activities characterised by the inability to grow a

---

11 There are several programmes carried out by Roma NGOs. Particularly:
In Hungary, Autonomia is the most relevant organization ([http://autonomia.hu/en](http://autonomia.hu/en)). They finished a few programs recently, [http://autonomia.hu/en/programs/ida-housing-programme](http://autonomia.hu/en/programs/ida-housing-programme) - the latter site is in Hungarian, but some of the relevant downloadable slides are in English.
- In Slovakia, ETP is the most relevant organization ([http://www.etp.sk/en/category/projekty/sporiaci-program/](http://www.etp.sk/en/category/projekty/sporiaci-program/)).
business (Roma MATRIX, 2015). Access to credit is just one of the elements fundamental for running a business (even if micro). Roma (small)entrepreneur need credit, but also a wide range of skills in order to run a legal and successful activities. Within this framework, the EU does not aim at fostering an elite of Roma entrepreneurs, making credit more accessible. The ultimate purpose is to tackle the high level of unemployment through credit invested in self-employment activities. At the EU level, there is a scarcity of best practices or programmes dealing with this issue. Kiútprogram\textsuperscript{12}, the social microcredit program in Hungary, is one of the most important and well-done project in this sense. Despite the fact that the project was successful adopting a comprehensive approach in addressing Roma situation, some issues can be detected. Primarily, it cannot be demonstrated the link between MF and employment creation. Thus, entrepreneurship skills are related to personal skills and experiences. The basic idea that access to credit unlocks entrepreneurship potential, may lead to unrealistic expectations. At the same time, errors in screening potential “entrepreneur” can easily occur. Another point is concerning the market for these new self-employment activities. Thus, as previously explained by this paper, it is quite hard to test the employment impact of MF.

Employment is not the only aspect of empowerment and, it is not the only aspect in which MF can operate. Roma people can take advantage of MF within the framework of active inclusion policy. Vulnerability and exclusion are daily experienced by Roma population and, in particular Roma women. Fostering the access to a wide range of financial and non-financial service may lead toward better living conditions. Access to credit, but also micro-saving, micro-insurance, housing, finance literacy can contribute substantially at improving social and financial inclusion in the EU society. Even so, tailored solution to Roma people can generate more impact for their empowerment.

The EU efforts for empowering Roma community should take into account a comprehensive strategy including viable and realist policies aligned at real needs of Roma.

\textsuperscript{12} For more information, see: \url{http://www.kiutprogram.hu/index.php/en/}
References

Council of the European Union, Employment, Social Policy, Health and Consumer Affairs Council 2013, Council recommendation on effective Roma integration measures in the member states
Giesbert, Lana 2013, Microinsurance and Gender, in The Impact of Microfinance as Active Strategy, EMN, Research Working Group 12/2013
EMN 2014: Overview of the Microcredit Sector in the European Union 2012-2013, by Mirko Bendig, Michael Unterberg and Benjamin Sarpong
______________________, COM(2011)173 final, 05 April 2011 - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions concerning an EU Framework for National Roma Integration Strategies up to 2020.
_____________________, COM(2012)226 final, 21 May 2012 - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions on National Roma Integration Strategies: a first step in the implementation of the EU Framework.
______________________, COM(2013)454 final, 26 June 2013 - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, Steps Forward in implementing National Roma Integration Strategies.
5. Roma survey data explorer:

Discrimination and living conditions of Roma women in 11 EU Member States, Luxembourg, Publications Office.


Roma MATRIX, 2015, Employment of Roma- Good practice guide, University of Salford and University of York, UK

11


