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Abstract

The aim of this study is to investigate the causes and effects of economic exclusion of historical national and ethnic minorities and to identify the policies, both at the national and supranational levels, that are most effective in combating this problem. The study analyzes economic participation in four regions of Europe in which historical minorities are concentrated: the Autonomous Province of South Tyrol/Bolzano (where German-speakers form a majority), Northern Ireland (where Catholics form a large minority), Estonia (where Russians and other Russian-speakers form a majority in the northeastern county of Ida-Viru) and Transylvania in Romania (where Hungarians form a majority in two counties). The main focus is on compactly settled minorities, rather than widely dispersed minorities such as Roma. The paper (Section II) shows how a variety of factors, including constitutional arrangements and other fundamental laws, policies from different fields of policy making, general economic processes, such as privatization or integration into the global marketplace, as well as the strategies adopted by the minorities themselves, affect the relative economic position of members of minorities in the four regions under analysis. This allows us to derive examples of best practice in terms of policy initiatives that can best combat the problem of economic exclusion. The paper concludes by summarizing the policies that are most effective in promoting economic inclusion in our case studies and the ways that these may be employed at a wider EU level.

I. Introduction

Before embarking on an analysis of the causes and effects of the economic exclusion of minorities, we must first ask ourselves why we should prioritize the issue of economic exclusion of minorities at all. To begin with, we should ask whether historical minorities do, in fact, suffer from economic marginalization. If we find that they do not, then there is little reason to make this a major issue. We must then ask why, if the economic marginalization of minorities does indeed occur, it should be a major policy issue that governments and international organizations should take seriously. It is these questions that this introduction sets out to address.

As the abstract (above) makes clear, this paper is not primarily concerned with Europe's Roma population, although in the conclusion some of the special problems faced by

Roms are addressed, namely the high vulnerability of Roms to rapid economic change and the low economic and educational expectations within Romani communities. While Roms are a clear example of an ethnic group that suffers from systematic discrimination in terms of economic opportunities, they are in many ways a special case with very distinct problems of their own. Most importantly, Roms are a non-territorial nationality, to the extent that they are found in virtually all European countries. Moreover, most Romani communities in Europe have been highly mobile over the past two centuries and have tended not to integrate with the rest of society. For these reasons, they have played little or no role in the nation-state-building processes of the nineteenth and twentieth centuries. Their relative marginalization in society therefore has especially deep roots in a way that is not the case with most other national minorities. The policies and factors that may influence the degree of economic participation of Roms may therefore not be relevant for other minorities. Finally, there is a wealth of literature on the problem of Roms' marginalization and it would not do the subject justice to deal with it in a perfunctory manner in this paper.[1]

A. Are Members of Europe's Historical Minorities Excluded Economically?

The first question we need to address is whether or not national minorities (or, at least, certain national minorities) in Europe are, in fact, disadvantaged economically. Although the lack of data that are disaggregated according to ethnicity makes it difficult to ascertain the extent to which minorities are economically excluded, it is still possible to obtain economic data from *regions* in which minorities are concentrated and this should serve as a guide to the economic circumstances faced by the minorities themselves. Table 1 (below) therefore provides figures for GDP and unemployment in those NUTS regions[2]

[1] See, for example, publications by the European Roma Rights Centre at http://www.errc.org/Publications_index.php, specifically European Roma Rights Centre**,** *The Glass Box: Exclusion of Roma from Employment* at http://www.errc.org/cikk.php?cikk=2727, as well as contributions from the UNDP such as UNDP, 'The Roma in Central and Eastern Europe: Avoiding the Dependency Trap', (Regional Human Development Report, UNDP Bratislava 2002). See also documentation relating to the Decade of Roma Inclusion 2005-2015, such as that found on the World Bank website, http://go.worldbank.org/ELVUPU6V80.

[2] The Nomenclature of Territorial Units for Statistics (NUTS) is a three-tier hierarchical classification developed by the Statistical Office of the European Communities (Eurostat) for referencing the administrative division of EU countries for statistical purposes. For the candidate countries awaiting

Table 1: Economic Status of Minorities in NUTS Regions with a Minority Population of over 35%

NUTS Region	Minority %	GDP per capita (% of national average) 2004	Unemployment 2004
United Kingdom	**n/a**		**4.7%**
Northern Ireland	46% Catholic		5.0%
North	57% Catholic	63% (78% of N. Ireland average)	n/a
West and South	65% Catholic	68% (84% of N. Ireland average)	n/a
Scotland	Scots	96% (103% of average outside the capital)	4.5%
Wales	Welsh	78% (84% of average outside the capital)	5.7%
Spain	**n/a**		**11.0%**
Galicia	Galicians	80% (85% of average outside the capital)	13.6%
Pais Vasco/Euskadi	Basques	125% (131% of average outside the capital)	9.7%
Catalunya	Catalans	120% (126% of average outside the capital)	9.7%
Finland	**n/a**		**8.8%**
Aaland Islands	92% Swedish speakers	127% (145% of average outside Uusimaa)	n/a
Romania	**7% Hungarian**		**8.1%**
Covasna	74% Hungarian	96% (106% of average outside capital)	9.4%*
Harghita	85% Hungarian	84% (93% of average outside capital)	6.1%*
Mures	39% Hungarian	104% (115% of average outside capital)	10.5%
Estonia	**26% Russian**		**9.7%**
Ida-Virumaa	70% Russian	60% (93% of average outside Pohja-Eesti)	17.9%
Italy	**n/a**		**8.0%**
Bolzano	69% German speakers	130% (134% of average outside capital)	2.7%
Greece	**1% Muslim**		**10.5%**
Xanthi	41% Muslim	68% (83% of average outside capital)	10.1%
Rodopi	52% Muslim	59% (73% of average outside capital)	7.8%*
Bulgaria	**9% Turk**		**12.0%**
Razgrad	47% Turk	72% (87% of average outside capital)	19.0%
Latvia	**30% Russian**		**10.4%**
Latgale	43% Russian	46% (76% of average outside capital)	12.7%

accession to the EU, for the other European Economic Area (EEA) countries and for Switzerland, a coding of statistical regions that corresponds to the NUTS classification has been defined by Eurostat in agreement with the countries concerned. NUTS is a acronym for the French name for the scheme, *nomenclature des unités territoriales statistiques*.

Sources: For economic and population data, see http://epp.eurostat.ec.europa.eu. For breakdown according to ethnicity/language, see http://en.wikipedia.org/wiki/%C3%85land for the Aaland Islands; http://en.wikipedia.org/wiki/Muslim_minority_of_Greece for Muslims in Greece (1991); http://pub.stat.ee for Estonia (2000); www.insse.ro/rpl2002rezgen/rg2002.htm for Romania; www.provincia.bz.it/ASTAT/downloads/Siz_2006-eng.pdf for Provincia Autonoma Bolzano (2001); www.nsi.bg/Census_e/Ethnos.htm for Bulgaria (2001); and http://data.csb.lv/EN/Database/popcensus/popcensus.asp for Latvia (2000).

* indicates provisional data.

of the EU in which minority populations exceed 35%.[3] This shows that some minorities in Europe clearly do not benefit from the same economic opportunities as their majority counterparts, while others enjoy the same living standards or even better. In particular, there seems to be little evidence that the so-called 'regional minorities' perform badly economically: in three cases (the Aaland islands, Catalunya and the Basque country), regions associated with a (sub-)national identity perform better than the rest of the country, in two cases (Galicia and Wales) they perform worse and, in one case (Scotland), economic development is similar to that in the rest of the country. Ethnically mixed regions in which ethnic minorities are compactly settled tend to perform rather worse; however, South Tyrol (where German-speakers are concentrated) still over-performs, while the counties of Transylvania (Romania) in which Hungarians are settled (Harghita, Covasna and Mures) perform at least as well as other rural areas. The answer to our question of whether or not national minorities in Europe are economically disadvantaged is therefore: it depends on a number of factors.

This paper focuses on four regions in which minorities are compactly settled, including two (Catholics in Northern Ireland and Russian-speakers in Estonia) in which the minorities in question show signs of being disadvantaged economically and another two (Hungarians in Transylvania and German-speakers in South Tyrol) in which they do not. These four cases should be particularly illustrative because each pair contains one region that has recently undergone radical economic restructuring (from a state-run to a market-

[3] Except for the capital city of Latvia, Riga, where the Russian population was 44% in 2000. It was felt that the special circumstances in which capital cities find themselves make it impossible to compare them with other regions.

based economy) and one that has not. The task of this paper is to investigate why economic marginalization has occurred in two regions but not in the other two. The main indicator for economic marginalization used in this paper is unemployment; this is because unemployment, by its very nature, implies estrangement from the economic processes of the country; also, data on income per capita—another indicator of economic status—is less widely available at the regional level and is rarely, if ever, disaggregated in terms of ethnicity (see below).

B. Why Does the Economic Exclusion of Minorities Matter?

The economic marginalization of minorities matters for the following reasons. First of all, minorities are a frequently untapped resource in terms of economic prosperity for entire communities, not only for members of the minority in question. By making use of the intellectual capital that members of minorities have to offer, regions and states regions can develop in ways that would not be possible if their skills were left to go to waste. Conversely, if minorities remain undereducated, underpaid and underemployed, the economy of the entire country or region will suffer, with adverse consequences for members of the majority as well. Successful models of multiethnic societies show us that ethnic heterogeneity can be associated with prosperity and high living standards across the board, provided that the economic potential of all citizens is tapped (see the case of the Autonomous Province of Bolzano/South Tyrol below).

Second, economic prosperity and the reduction of economic inequalities leads to greater participation of minorities in public life and, in turn, to a further consolidation of democracy. Scholars of democratization often argue that economic development is a prerequisite for a consolidated democracy and that this argument is particularly relevant in multiethnic societies.[4] This is because greater economic opportunities for members of national and ethnic minorities can help to break down divisions in society and foster the establishment of multiethnic networks (as is the case in Bolzano/South Tyrol). Minority

[4] On the relationship between economic development and democracy, see Seymour Martin Lipset, *Political Man: the Social Bases of Politics*, expanded edition (Doubleday, New York, 1960); and Larry Diamond, "Economic Development of Democracy Reconsidered", *American Behavioral Scientist* (1992) No.4/5, 450–499.

communities mired in poverty, on the other hand, are unlikely to accumulate the level of social capital necessary to make their voices heard in the political sphere.[5]

Third**,** economic underdevelopment and, especially, the economic marginalization of a particular identity group increases the likelihood of interethnic conflict. Various development studies have shown that low rates of economic growth and low per capita income provide opportunities for potential 'spoilers' to engage in intercommunal violence.[6] In economically underdeveloped regions in which national minorities are concentrated, inequalities in living standards and in access to vital yet scarce resources can often lead to the exploitation of ethnic networks by political, economic and criminal elites for the purposes of racketeering or (in extreme cases) armed actions. Moreover, members of minorities that are economically marginalized may come to feel that their low economic status is the result of deliberate discrimination on the part of the majority or the government, even when it is not.[7] This can breed resentment and potentially lead to conflict.

Assuming, then, that the inclusion of minorities into regional, national and global economies is important for stability and democracy, let us now look at the factors that make this possible. In the following section, I focus on nine such factors insofar as they impact upon our four mini case studies: institutional design, education, informal networks, cross-border trade, privatization, integration into the national and global economies, EU integration, ethnic quotas/monitoring in employment and—last but not least—the availability of accurate data on the economic circumstances of minority

[5] According to Robert Putnam, social capital "refers to the collective value of all 'social networks' and the inclinations that arise from these networks to do things for each other". Robert Putnam, *Bowling Alone: the Collapse and Revival of American Community* (Simon & Schuster, New York, 2000).

[6] Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War", World Bank Working Paper (2001) at http://www.worldbank.org/research/conflict/papers/greedgrievance_23oct.pdf; and Susan E. Rice, Corinne Graff and Janet Lewis, "Poverty and Civil War: What Policymakers Need to Know", Brookings Institute Working Paper No.2, at www.brookings.edu.

[7] Such is the case in the Georgian region of Javakheti. Many Armenians (who make up a majority in Javakheti) believe that the dilapidated infrastructure that exists in Javakheti (and in many other more rural districts of Georgia as well) is the result of a deliberate policy by the Georgian authorities to force them to leave, a process they refer to as 'white genocide'. See Jonathan Wheatley, "Obstacles Impeding the Regional Integration of the Javakheti Region of Georgia", ECMI Working Paper No. 22, September 2004, at www.ecmi.de/download/working_paper_22.pdf.

communities. I do not consider the impact of all these factors in all four cases; instead, I highlight the factors that are most relevant for each case.

II. Some Factors Responsible for Inclusion/Exclusion of Minorities

A. Institutional Design

Institutional design refers to the rules according to which power is distributed and citizenship rights are bestowed. It is normally determined by fundamental laws, in particular by constitutions. Of particular relevance to minorities and their economic rights are citizenship laws, language laws, territorial administrative arrangement and election laws. All four factors may, in a number of different ways, have a profound impact on the economic opportunities of members of national minorities. Out of our four cases, the first two factors (citizenship laws and language laws) have had a profound impact on minority economic participation in Latvia; the third factor (territorial autonomy) is important in South Tyrol/Bolzano; while the fourth factor (election legislation) has played a role in the economic marginalization of Catholics in Northern Ireland.

Estonia (like its neighbour Latvia) has adopted restrictive citizenship laws. Estonian laws on citizenship only grant automatic citizenship to persons who were citizens prior to the Soviet occupation of 1940 and their descendants. However, many of those living in Estonia do not fit into this category as they entered the republic as migrant workers from other parts of the USSR during the post-war years. These individuals (mainly ethnic Russians) can only become citizens if they fulfill certain requirements, principally by passing a naturalization test in which knowledge of the Estonian language is the main criterion for success.[8] Although a slow process of naturalization has taken place since Estonia attained independence, according to a report by the European Commission against Racism and Intolerance published in 2005, at the time of writing there were still

[8] There were certain exemptions from the language test, namely for those who did not qualify for Estonian citizenship but all the same demonstrated loyalty to the new state—for example, by having applied for Estonian citizenship prior to February 1990. Also, from 1998, children born in Estonia after February 1992 were given the right of citizenship providing their parents had been legally resident in Estonia for five years.

around 139,000 stateless persons in Estonia, making up 11% of the population.[9] While this is very significantly down from the figure of 520,000 (nearly 40% of the population) when the Law on Citizenship was enacted in 1992,[10] it still makes up a significant share of the population.

Despite the fact that they are able to obtain residence permits, can vote in local elections and are entitled to a wide range of social benefits, non-citizens in Estonia are clearly disadvantaged in the labour market in comparison with citizens. According to a report by the Estonian government, far fewer non-citizens than citizens hold posts as managers or skilled specialists, although amongst citizens the difference between Estonians and non-Estonians was much smaller. In 2000, just over 40% of Estonians held posts as managers or specialists, compared with about 38% of non-Estonian citizens, 27% of stateless persons and less than 20% of Russian citizens resident in Estonia.[11] Particularly few Russian-speakers work in the more elitist professions within the public sector; in 2001, Russian-speakers constituted just 9% of judges and 6% of officers in the Ministry of Internal Affairs. In addition, there were no Russian-speakers working as officials in the Ministries of Justice or Education.[12] Moreover, in the city of Narva in Ida-Virumaa, where the proportion of (mainly Russian-speaking) non-citizens is estimated at 33%, unemployment is particularly high; although unemployment figures for Narva city itself are not available, the unemployment rate in Ida-Virumaa has remained nearly twice the

[9] European Commission against Racism and Intolerance, "Third Report on Estonia", adopted on 24 June 2005, at http://www.coe.int/t/e/human_rights/ecri/1-ecri/2-country-by-country_approach/estonia/Estonia%20third%20report%20-%20cri06-1.pdf.

[10] Margit Sarv, "Integration by Reframing Legislation: Implementation of the Recommendations of the OSCE High Commissioner on National Minorities to Estonia, 1993–2001", Centre for OSCE Research, Institute for Peace Research and Security Policy at the University of Hamburg, Working Paper No. 7, at http://www.core-hamburg.de/documents/35_CORE_Working_Paper_7.pdf.

[11] Government of Estonia, "Implementation of State Programme 'Integration in Estonian Society 2000–2007' in 2000: Report of the Government of Estonia", May 2001, at http://www.riik.ee/saks/ikomisjon/word/report.doc.

[12] Open Society Institute, "Minority Protection in Estonia: An Assessment of the Programme Integration in Estonian Society 2000–2007", Open Society Institute Report (2002), at http://www.eumap.org/reports/2002/minority/international/sections/estonia/2002_m_estonia.pdf.

Estonian average since 1999 despite a gradual fall in unemployment throughout Estonia and a corresponding increase in economic prosperity.[13]

An issue that is related to citizenship is that of language laws; Estonian is the only official language in Estonia and, according to an amendment to the Law on Languages passed in 1999, knowledge of Estonian is required not only for government officials and municipal employees but also for the employees of commercial and non-profit organizations and institutions, including private businesses. A Language Inspectorate with the capacity to impose financial penalties was also set up to monitor compliance with the Law on Languages in both the state and private sectors.[14] Although this law was further amended in June 2000, limiting these requirements in the non-state sector to cases in which the public interest is at stake (meaning primarily health and safety), it clearly disqualified many Russians-speakers with a weak command of Estonian from a relatively wide range of positions.[15] Generally speaking, it is likely that language regulations are at least partly responsible for the higher levels of unemployment in areas in which Russian-speakers are concentrated and for the fact that disproportionately more managers and specialists are Estonian-speakers (see above).

Another crucial factor in terms of institutional design is the relationship between the centre and the regions. Here the range of choices extends from a highly centralized unitary state with weak local self-government, through various forms of regionalization to a fully federal state. Clearly, the greater the level of political and economic decentralization the greater the control of local self-governments over the local economy. In states in which national minorities are geographically concentrated, such an arrangement will give minorities far greater power over economic decision making and, all else being equal, will lead to their economic empowerment. The mainly German-

[13] According to EUROSTAT figures, unemployment in Estonia fell from 13.6% to 7.9% between 2000 and 2005. During the same period, unemployment in Ida-Viru County fell from 25.7% to 14.6%. See http://epp.eurostat.ec.europa.eu.

[14] European Commission against Racism and Intolerance, "Third Report on Estonia …"

[15] According to Article 2^1.2 of the Language Act, "[t]he use of Estonian by companies, non-profit associations and foundations, by employees thereof and by sole proprietors is regulated if it is in the public interest, which, for the purposes of this Act, means public safety, public order, general government, public health, health protection, consumer protection and occupational safety. The establishment of requirements concerning proficiency in and use of Estonian shall be justified and in proportion to the objective being sought and shall not distort the nature of the rights which are restricted."

speaking Autonomous Province of South Tyrol/Bolzano is a case in point; according to the 1972 Autonomy Statute, the province has a very high degree of financial autonomy from Rome and enjoys primary competence in decision making over sectors such as agriculture, tourism, the environment, public health and mining. Most of the funds for the province (85%) come from a fixed quota of direct and indirect taxes collected on the territory of the province, while just 15% of funds (the so-called 'variable quota') are disbursed after negotiations with Rome.[16] As we shall see below, this high degree of autonomy has allowed Bolzano to negotiate the disbursement of EU Common Agricultural Policy funds and structural funds virtually independently of Rome. The effective use of these of these funds is probably the primary reason for the province's current economic prosperity.

Here we must clearly make the proviso that autonomy only works in economic terms if there are sufficient funds to back it up in terms of providing investment in the region's infrastructure. Autonomy arrangements in which the autonomous region is unable to raise sufficient funds through taxation, through transfers from the national centre or through EU funding in order to exploit the opportunities for regional development often means that the autonomy arrangement will fail to provide economic opportunities either for the region as a whole or for the minority or minorities in question.

Finally, the design of the electoral system, in particular whether a fully proportional electoral system is adopted or whether a more majoritarian system prevails, can also have a major impact on the economic opportunities for minorities. Probably the most vivid example of how the electoral system can impact upon minorities is that of Northern Ireland, from the establishment of the Stormont parliament in 1921 until its dissolution in 1972. The decision to change the electoral system from a single transferable vote system to the British-style first past the post system in 1929, the gerrymandering of the local government electoral areas in order to ensure a unionist majority in councils in most of the main cities, as well as a lack of any other power-sharing mechanisms, meant that the Protestant (unionist) majority had total control of all levers of power throughout the

[16] Antony Alcock, "The South Tyrol Autonomy: a Short Introduction", Booklet of the Autonomous Province of Bozen/Bolzano, Bozen/Bolzano, County Londonderry, May 2001, at http://www.provinz.bz.it/lpa/autonomy/South-Tyrol%20Autonomy.pdf.

period in question. Over time, this led to the progressive economic marginalization of the Catholic minority, as Catholics were routinely excluded from professional and managerial posts in both the public and private sectors and levels of unemployment remained about twice as high amongst Catholics as amongst Protestants. Top posts in the senior civil service, the police and the judiciary have been virtually the exclusive preserve of the unionist majority (see below).[17]

B. Education

Education policy can have a major impact on the economic status of national and ethnic minorities through its impact on employment. If members of minorities leave school or university with lower qualifications than their majority counterparts, their earning capacity in the long term is likely to be lower. Measures adopted within the sphere of education policy need to ensure that all citizens, irrespective of their ethnic origin, are operating on a level playing field. This can be a major issue if there is an official state language (or languages) and if, at the same time, circumstances dictate that a proportion of the population (i.e., members of national or ethnic minorities) are unable to speak this language. Under such conditions, members of minorities are likely to be disadvantaged economically unless there is an effective education policy that can ensure that all school leavers, irrespective of their ethnicity, know the state language. The other alternative is to promote bilingualism and to ensure that most or all citizens speak both the majority and the minority language. In both cases, an effective and well-funded education system is required.

Out of our four cases, the only case in which a significant part of the population does not know the state language is that of Estonia. The aim of the Estonian authorities is to ensure that all Estonian citizens become fluent in Estonian. The 1993 Law on Basic and Upper Secondary Schools stipulated that, from 2000, the language of instruction in all upper secondary schools (in other words from the tenth year to the twelfth year of

[17] John Whyte, "How Much Discrimination was there under the Unionist Regime, 1921–1968?", in Tom Gallagher and James O'Connell (eds.), *Contemporary Irish Studies* (Manchester University Press, Manchester, 1983), also available at http://cain.ulst.ac.uk/issues/discrimination/whyte.htm; and the CAIN Web Service page, "Discrimination and Employment", from *Perspectives on Discrimination and Social Work in Northern Ireland*, at http://cain.ulst.ac.uk/issues/discrimination/gibson2.htm#top.

education) would be Estonian. In practice, this would mean that at least 60% of instruction would be carried out in Estonian, even in those schools in which the language of instruction had hitherto been Russian. In 1997, the deadline was extended from 2000 to 2007.

From the mid-1990s, a concerted effort was made to teach Estonian in schools in which the language of instruction was Russian. In 1995, Estonian began to be taught to five and six year olds as a second language in pre-schools in which the main language was Russian. In 1996, Estonian began to be taught in all Russian-language primary schools from the first year. However, given that all upper secondary schools were to switch to Estonian by 2007, the pace did not appear to be fast enough and, in March 2000, the government of Estonia approved the State Integration Policy. The educational component of this policy aimed to ensure that all pupils graduating from elementary schools would have an intermediate level of Estonian, while those leaving secondary education would have acquired a degree of proficiency sufficient for everyday and occupational communication and for continuing to further studies in Estonian. Schools in mixed communities (more especially in Tallinn) adopted a method of total immersion in which Russian-speaking and Estonian-speaking students would study together in the same class, while in mono-ethnic Russian-speaking regions such as Ida-Virumaa, a more gradual approach was taken that was aimed at building up students' vocabulary and grammar from the first year of primary school.[18]

At the time of writing, it remains too early to judge the effectiveness of these measures. According to the 2000 census, 39% of those belonging to national minorities speak Estonian fluently. Amongst ethnic Russians, the figure is 38%, compared with just 15% in 1989.[19] A part—but by no means all—of this improvement is due to the out-migration of some Russian-speakers in the early 1990s. Unfortunately, there is no more recent data that would help us to judge the effectiveness of the State Integration Policy. However,

[18] Kara Brown, "Integration through Education? The Russian-Speaking Minority and Estonian Society", 6(2) *ISRE Newsletter* (1997), at http://www.indiana.edu/~isre/NEWSLETTER/vol6no2/brown.htm.
[19] See the 2000 Population Census of Estonia, at http://pub.stat.ee/px-web.2001/I_Databas/Population_Census/Population_Census.asp; and Mart Rannut, "Language Planning in Estonia: Past and Present", Mercator Working Paper No. 16 (2004), at http://www.ciemen.org/mercator/index-gb.htm.

some critics have accused the government of being ill-prepared for the 2007 transition in upper secondary schools and of not releasing sufficient funds for the creation of new Estonian texts and for teacher training.[20] Despite improvements, even young Russian-speakers still often struggle with the Estonian language and this can only have a negative impact on their employment prospects.

In contrast, since the adoption of the 1972 Autonomy Statute, a bilingual policy has been in place in South Tyrol/Bolzano, whereby all public servants must be proficient in both Italian and German. This may even have benefited German-speakers disproportionately, as most could already speak Italian, while few Italian-speakers were able to speak German (thus, in the early 1980s, only 15% of Italian-speaking policemen were able to speak German).[21] Nevertheless, the timeframe in which this was achieved was gradual, with bilingualism becoming the norm in most public bodies only in the 1990s.

C. The Role of Informal Networks

Even when members of national and ethnic minorities enjoy equal rights from a legal point of view in terms of employment, social benefits and other economic goods, it may well be that, despite all the best efforts, they remain in a more marginal position economically and suffer from higher levels of unemployment and lower than average income. Very often, this is not the result of official regulations or state policy; rather, it is a consequence of a tendency amongst employers to 'employ their own people'. Murray and Darby have identified such informal networks as a serious impediment to equal employment opportunities for Catholics in Northern Ireland, as often school-leavers find their first jobs with the help of (co-religionist) family members and friends. In the words of the chairman of the Fair Employment Agency:

> The informal networks which are still so powerful in Northern Ireland and through which so much employment is found, operate to maintain and reinforce employment patterns already established. Once these patterns have been established such a method of filling jobs means that, even if

[20] Brown, "Integration through Education …"
[21] Alcock, *The South Tyrol Autonomy* …

> there were never in Northern Ireland a single instance of individual discrimination in the future, the patterns laid down will remain much the same.[22]

Informal networks play a particularly important role in weak or contested states. In such states (for example, in certain successor countries of the USSR and Yugoslavia), state power can become 'privatized'—at least for a certain period of time—and the organizations that once constituted the state become the private realm of corrupt former state officials, black market businessmen and paramilitary groupings. Under such circumstances, the rules the state has hitherto sought to impose are replaced by the informal codes of local clans and networks. State regulation of the economy turns to black market regulation, as government departments and ministries are taken over by clans or criminal fraternities. Whatever is left of the state becomes a proliferation of semi-independent yet intertwined informal networks that deliver network goods to the few, rather than public goods to the many. As these networks are typically mono-ethnic, minorities can lose access to public goods that are traditionally provided by the state and can become excluded from all but the most basic economic activities.

Even if state collapse is not total, an erosion of state authority leads to a corresponding erosion in the norms of public service and corruption becomes a normal way of life. Under such circumstances, members of national minorities, having fewer 'protectors' or 'patrons' in high places in comparison with members of the majority nationality, are often disproportionately targeted by state officials, once again undermining their position in economic life.

However, the use of informal networks to obtain economic benefits is also a survival strategy that is used by minorities as well as majorities. Smith and Wilson discuss the growth of a Russian business elite in Estonia in the 1990s, noting that "because it is also constrained by citizenship legislation from being a property owning class, it tends to operate on the margins of the legal market economy, which … makes it vulnerable in a

[22] Dominic Murray and John Darby, "The Vocational Aspirations and Expectations of School Leavers in Londonderry and Strabane", Fair Employment Agency Research Paper No. 6, Belfast (1980), 5.

polity concerned about the growth of the black economy".[23] Similarly, as we shall see below, business networks that link the Hungarian community of Transylvania with Hungary itself have provided a valuable source of income for members of this minority. However, the problem of informal networks is that, while they often provide economic benefits to minority communities, they do little to foster social and economic integration between majorities and minorities.

D. Cross-Border Cooperation

Cross-border trade is often a source of economic prosperity for minorities with a neighbouring kin-state. It is particularly beneficial to Hungarian communities in Transylvania, whose businesses regularly engage in trade with Hungary. Burgeoning trade ties between Hungary and Romania went hand in hand with Romania's emergence from the deep recession of the early 1990s. Between 1993 and 2003, Romanian exports to Hungary rose from USD 86 million to USD 617 million, while imports rose from USD 185 million to USD 869 million. Similarly, the number of Hungarian-owned ventures operating in Romania rose from 1,450 to 4,019 between 1995 and 2002 and the total capital stock belonging to these ventures rose from USD 20 million to USD 320 million over the same period.[24] This clearly bolstered the economic opportunities of Hungarian communities within Romania, most notably within the stratum of Hungarian entrepreneurs in Transylvania. As we shall see below, Hungarian investments are particularly concentrated in counties of Transylvania with a high proportion of ethnic Hungarians.

The increase in cross-border trade between Romania and Hungary was facilitated by gradually improving relations between the two countries as they prepared for eventual EU accession. During the early 1990s, the Romanian government harboured suspicions that the Hungarian side was supporting irredentism amongst Hungarian communities, although over time the two sides developed a normal working relationship. The

[23] Graham Smith and Andrew Wilson, "Rethinking Russia's Post-Soviet Diaspora: The Potential for Political Mobilisation in Eastern Ukraine and North-East Estonia", 49(5) *Europe-Asia Studies* (1997), 845–864.

[24] Data from the Government Office for Hungarian Minorities Abroad, "Reports on the Situation of Hungarians", at http://www.htmh.hu/en/?menuid=0404.

relationship between the two countries was regulated by a bilateral treaty signed between Romania and Hungary in 1996, which guaranteed the individual rights of the Hungarian minority in Romania. Later the same year the main Hungarian party in Romania, the Democratic Alliance of Hungarians in Romania (DAHR), joined a coalition government led by Emil Constantinescu's Romanian Democratic Convention, further facilitating bilateral relations between the two countries.

The proximity of a kin-state for minorities does not, however, always mean that the minority will benefit economically from cross-border ties. In particular, any benefits are likely to be much less important if the kin-state is less developed economically than the host state or if trade relations between the two states decline. Here, the Estonian case is illustrative. Russians in Estonia have been largely unable to exploit their relationship with their ethnic kin in Russia by establishing trade relations with Russian businesses. First, in terms of GDP per capita, Russia is poorer than Estonia and therefore the potential of Russia as an investor and as a potential market for exports is less. Second, while Russia was the main trading partner of the Baltic republics within the internal market of the USSR and in 1991 still accounted for 45.9% of Estonian imports and 56.5% of exports,[25] by 2003 trade with Russia made up only 8.6% of imports and 3.9% of exports.[26] Moreover, cross-border trade with Russia did not necessarily bring economic prosperity, even to the border region; indeed, cheap Russian imports of food and alcohol undermine the local job market in the mainly Russian city of Narva.[27] Finally, as the Baltic republics joined the EU in 2004, their trade tariffs with non-EU states (including Russia) had to conform with common EU tariffs. This was unlikely to improve trade ties with Russia or to foster opportunities for ethnic Russians in Estonia to forge economic ties with Russian partners.

[25] Smith and Wilson, "Rethinking Russia's Post-Soviet Diaspora …"
[26] Alari Purju, "Foreign Trade Between the Baltic States and Russia: Trends, Institutional Settings and Impact of the EU Enlargement", 14 *Electronic Publications of Pan-European Institute* (2004), at http://www.tukkk.fi/pei/verkkojulkaisut/Purju_142004.pdf.
[27] Eiki Berg, Julia Boman and Vladimir Kolossov, "Estonian-Russian Borderland", Case Study Report for the EXLINEA Project by the University of Tartu (2003), at http://www.exlinea.org/pub/regional_profile_complete(05.12.03).pdf.

An underlying reason why economic ties between Russians in Estonia and the Russian Federation have not been as strong as those between the Hungarian minority in Transylvania and Hungary has been that the Estonian government's policy agenda and foreign policy orientation have opposed closer ties with Russia. Estonians believe that they were illegally incorporated into the Soviet Union in 1940 and that their mission is to strive for closer integration with Europe, rather than to maintain strong economic relations with the former 'occupier'.

E. Privatization

In countries emerging from a system in which most or all economic life was controlled by the state, the transition to a market-led economy can be a traumatic one. In particular, the downsizing of the state sector and the closure of many industries that are no longer competitive in the global marketplace often leads to a deep economic recession and a rapid rise in unemployment rates. Members of national minorities can be affected by these changes disproportionately. A case in point is that of Russian speakers in Estonia. The Russian-speaking community in Estonia is mainly composed of those who arrived during the Soviet period to work in heavy industry, as well as their descendents. Ida-Virumaa was Estonia's industrial base during the Soviet period and Russians arrived to work in the power plants and textiles factories of Narva, the oil shale and chemicals industries in Kohtla-Jarve and the metallurgical chemical plant in Sillamae. A smaller number of Russian-speakers also came to work in the military sector and other government bodies. From 1959 to 1970, the population of Narva and Kohtla-Jarve more than doubled and the increase was mainly due to the arrival of Russians and other Soviet Slavs to work.[28] In Kohtla-Jarve, the population of ethnic Estonians fell from 91.8% in 1934 to 26.4% in 1979.[29] The Russian-speaking population mixed little with Estonians in areas in which these new arrivals were concentrated and tended to live in separate areas in the suburbs of mixed cities. By the end of the Soviet period, Estonians and Russian speakers (mainly Russians, Ukrainians and Belarussians) basically constituted two parallel societies.

[28] *Eesti Rahvastik Rahvaloenduste Andmetel* [Population of Estonia by Population Censuses], at http://www.stat.ee/133763.
[29] Sarv, *Integration by Reframing Legislation …*

Following Estonian independence, it was those very same heavy industries in which the recent migrants worked that were unable to survive in the global market place. As the principles of the market economy took hold they faced closure, leading to widespread redundancies in industrial areas such as Ida-Virumaa, where the Russian minority was concentrated. Living standards amongst the Russian population, particularly in the northeast, fell even more steeply than they did amongst Estonians. Unemployment rose disproportionately amongst the mainly Russian population of the northeast and today remains at nearly double the level in the rest of the country.

However, privatization does not necessarily affect members of national minorities negatively. In Transylvania, the number of small and medium-sized enterprises (SMEs) is high in comparison with the rest of the country and is particularly high in settlements in which ethnic Hungarians live. According to reports from Romania's National Centre for Sustainable Development, which is responsible for assisting the Romanian government and local authorities in developing the UNDP's environmental project Local Agenda 21, out of 21 cities and municipalities across Romania for which data was available, the Hungarian city of Miercurea-Ciuc (Harghita county) and the mixed city of Targu-Mures (Mures county) took second and first place, respectively, in terms of the number of registered economic agents per capita in 2001.[30] In Miercurea-Ciuc, there were 99 economic agents per 1,000 population; in Targu-Mures, the figure was 135. Furthermore, in Miercurea-Ciuc, 270 out of 408 foreign investors were Hungarian, investing a total of USD 4.74 million (just over a third of all foreign capital invested).[31] The vast majority of businesses were small businesses or family enterprises; 94.3% of economic agents in Miercurea-Ciuc had less than 9 employees. This attests to the entrepreneurial dynamism of many members of the Hungarian community, who took advantage of the free market after the collapse of communism by exploiting their relationship with co-ethnic friends, relatives and colleagues from across the border. The proximity of a kin-state for ethnic Hungarians in Transylvania has therefore given this community a relative advantage in adapting to free-market reforms by engaging in private business.

[30] See details of Local Agenda 21 final documents at the website of the National Centre for Sustainable Development, at http://www.sdnp.ro.

[31] Miercurea Ciuc, "Local Agenda 21: Local Plan for Sustainable Development of Miercurea Ciuc Municipality", at http://www.sdnp.ro/ncdpublications/pdf/AgLoc21_Miercurea_Ciuc_eng.pdf.

F. Integration of Peripheral Regions into the National and Global Economy

In some cases, minorities are economically disadvantaged because they are concentrated in the more peripheral regions of the country. Peripheral regions that are economically isolated from the capital and other main economic centres tend to be underdeveloped, irrespective of the ethnicity of their populations. High disparities in living standards between the capital city and peripheral communities are particularly prevalent in parts of Southern and Eastern Europe. Here, Romania and Estonia are clear examples of this phenomenon, as GDP per capita in the poorest regions of these countries amounts to around a third of that in the capital city. The process of economic integration of peripheral communities first into the national economy and later into the global economy can lead to economic hardship and poverty. In such a process, minority communities may find it doubly hard to integrate—firstly, as inhabitants of a peripheral region and, secondly, as minorities. Geographical remoteness from the hub of economic life together with difficulties in integrating linguistically and/or culturally may combine to produce a greater degree of marginalization than would be the case if only one of these factors applied.

Peripheral regions are those that cannot easily be integrated into the national and global economies. Often, this is because they are rural regions with low levels of industrialization and an underdeveloped infrastructure. However, as the case of Ida-Virumaa in Estonia shows, peripheral regions are not always rural regions. Northeast Estonia is a peripheral region, not because it is rural but because its industries are no longer competitive in the global marketplace and because many of its inhabitants are unable to speak Estonian, are less mobile in terms of seeking work in monolingual (Estonian) regions of the country and therefore find it difficult to become fully integrated into the national economy. Generally speaking, peripheral communities are adversely affected by rapid economic change, such as that brought about by privatization and free market reforms and by globalization more generally.

Globalization, too, is a process that affects minority communities in different ways in different contexts. The different niches that national minorities occupy in the labour

market and the various cross-border networks they may be able to exploit mean that they can be affected in a number of different ways by the process of globalization. This leads to differing and uncertain outcomes. While the heavy industries in which many of Estonia's Russians worked became non-competitive and obsolete, so Transylvania's textile factories—which employed many ethnic Hungarians—were able to find a niche in a wider European market. After entering a period of profound crisis in the early 1990s, the industry began to attract interest from investors in Hungary and Western Europe and began to recover. By 1999, Romania had overtaken Poland as the leading garment production partner for the European Union.[32]

G. EU-ization and EU Regional Policy

The main aspects of EU policy that are relevant to geographically concentrated and trans-border minorities are, firstly, the disbursement of structural funds for regional development and, secondly, the creation of the single European market and the dismantling of border restrictions in terms of free movement and trade. As to the first aspect, in 1988 far-reaching reforms were carried out in regard to the way in which EU (then EEC) structural funds were allocated and, henceforth, *regions* were to play a greater role in absorbing certain structural funds. Specifically, funds were to be allocated to the following objectives: development of least prosperous regions (objective 1); restructuring industry in regions subject to industrial decline (objective 2); combating long-term unemployment and opening up employment pathways for young people (objective 3); facilitating the adaptation of workers to industrial change (objective 4); adaptation of agricultural structures (objective 5a); and development of rural areas (objective 5b). Funds under objectives 1, 2 and 5b were to be allocated to the regions and allocation of objective 1 funds was mainly limited to regions with a GDP of 75% or less of the Community average. The regional aspect of EEC funding had already been introduced in a rather ad hoc fashion in 1977, when four regions—Greenland, the French Overseas Departments, Northern Ireland and the Italian Mezzogiorno—together with Ireland were given a special grant and were subsequently designated absolute priority regions. In 1985,

[32] Gabor Kolumban, "Human Resource Policy Implications of the Regional Workforce Migration Pattern", at www.cenpo.ro/files/06%20Migration.pdf.

the list of absolute priority regions was extended to include Portugal and some Spanish regions. It was only in 1988, however, that EEC funding to the regions became institutionalized.

The 1988 reforms also for the first time incorporated the Nomenclature of Territorial Units for Statistics (NUTS) into Community legislation. Council Regulation (EEC) No. 2052/88 of 24 June 1988 made the three-tier NUTS classification system the basis for allocating funds at the regional level; specifically, objective 1 funding was allocated to the NUTS II level and objective 2 funding was mainly directed towards the NUTS III level. NUTS had already been established in 1981 as a tool for collecting regional statistics but this was the first time it was used as an instrument of EEC policy.

The regionalization of the EEC/EU and the allocation of structural funds according to regional criteria meant that member states had to submit plans for structural funds at the regional level and this gave room for local actors to have a greater say in the allocation of these funds. Actors in regions that already enjoyed some kind of regional autonomy were in an ideal position to take advantage of these changes. This applied above all to South Tyrol, where the government of the Autonomous Province was able to take action to adapt Community law in areas in which it had primary competence, such as agriculture, tourism and the environment (see above), without interference from Rome. This meant that it had considerable control over the disbursement of structural funds allocated according to objective 5b (and, later, objective 2, after objective 5b was redefined in 2000), which was South Tyrol's main source of structural funds. The result was increased dialogue between the local authorities and Brussels, leading to South Tyrol's decision to establish a joint regional office in Brussels with the neighbouring Italian province of Trentino and the land of North Tyrol in 1995, the first regional government in the EU to do so.

The increased relevance of the regions in terms of EU policy was instrumental in the establishment and subsequent strengthening of the EU's Committee of the Regions (CoR), made up of over two hundred representatives from Europe's regions. Established in 1994 after the adoption of the Maastricht Treaty, the CoR had its competences

extended further by the 1999 Amsterdam Treaty. The president of South Tyrol participates directly in the CoR, further cementing the ties between Bolzano and Brussels.

In South Tyrol, direct cooperation with EU structures against the backdrop of a high degree of autonomy in deciding how structural funds are to be disbursed has allowed this predominantly German-speaking region to prioritize and set its own development agenda. This has clearly improved the region's efficiency in terms of utilizing structural funds. EEC/EU funds have made a major contribution to the economic development of the region, first through the EEC's Common Agricultural Policy in the 1970s and 1980s (based on the fact that South Tyrol was a mountainous region with particular agricultural needs) and, later, through objectives 5a, 2 and INTERREG.[33] Cooperation between the South Tyrol region and Brussels in this respect serves as an example of good practice.

However, EU structural funds and the EU's policy of regionalization only provide opportunities for autonomous development if the state gives the necessary degree of autonomy for the region to prioritize how it uses EU structural funds. This was not the case in Romania. As it looked towards future EU membership, in 1998 the Romanian government passed a law establishing eight 'Development Regions', which would become NUTS II regions of the EU, for the purposes of receiving EU structural funds. With the help of the EU's PHARE programme, Romania also established a Regional Development Council (RDC) and a Regional Development Agency (RDA) in each Development Region, as well as a National Council for Regional Development and a National Fund for Regional Development to coordinate its regional policy. Prior to Romania's joining the EU, PHARE pre-accession funds were administered jointly by the Romanian Ministry of Development and Prognosis and by the RDAs. The overall aim of the regional development strategy was to reduce disparities in economic development between the Development Regions.

[33] The region can participate in cross-border cooperation projects with Austria and Switzerland, through the EU's INTERREG III initiative. The INTERREG III A programme for Italy/Austria was allocated over EUR 33 million for 2000–2006 and the Italy/Switzerland programme received over EUR 25 million. See European Commission, "European Structural Funds in Italy 2000–2006", at http://ec.europa.eu/regional_policy/atlas/italy/factsheets/pdf/fact_itd2_en.pdf.

The Development Regions were, however, created by the centre and did not take into account historical and cultural factors. Moreover, no body at the level of the Development Region was elected: the RDCs consist of representatives appointed from the lower (county) level while the RDAs are professional executive bodies. The Hungarian community in Transylvania, in particular, viewed the Development Regions as artificial and called for the establishment of a region that corresponded more closely to their pattern of habitation. In December 2006, Hungarian mayors from local councils in the counties of Covasna, Harghita and Mures announced the formation of a 'Szekeler's region', which they hoped would unite representatives of the three counties and would better promote their economic development.[34]

Several commentators have pointed out that the over-centralization of Romania's regional development programme has undermined its effectiveness. Mungiu Pippidi points to four main failings of Romanian regional development institutions: a lack of fiscal autonomy at RDA level; the interference of political actors in the allocation of EU pre-accession funds; a deficit in human and material resources; and problems of communication between regional institutions.[35] Indeed, the policy has failed to fulfil its declared goal of reducing economic discrepancies between regions. On the contrary, between 1999 and 2004, regional divergencies widened still further; in particular, according to EUROSTAT, GDP per capita in the northeast region fell from the national average in 1999 to just 69% of the national average in 2004. Similarly, GDP per capita in the richest region, Bucharest, rose from 165% of the national average in 1999 to 190% in 2004.[36] Generally speaking, however, it was less developed mono-ethnic (Romanian) regions (such as the northeast) that suffered the most, while the Hungarian regions maintained an average or above average level of development.

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[34] Divers, "Does Association 'Pro Tinutul Secuiesc' Target Territorial Autonomy?", 46(242) *Divers Bulletin* (2006), at http://www.divers.ro/actualitate_en?wid=37647&func=viewSubmission&sid=7139.

[35] Alina Mungiu Pippidi, "Regions, Minorities and European Policies: a Policy Report on Hungarians from Transylvania", in EUROREG, *Regions, Minorities and European Policies: an Overview of the State of the Art in Western, Central Eastern and Southeast Europe*, EUROREG Project State of the Art Report, December 2005, EUR No. 21916, at http://www.eliamep.gr/eliamep/files/EUROREG_collective_stateofart%20report_25_Oct05.pdf.

[36] See http://epp.eurostat.ec.europa.eu.

The other major impact of evolving EU policy on regionally concentrated national minorities relates to the increased free movement of commodities and individuals across the internal borders of the EU. In particular, the Single European Act, which came into force in 1987, and the subsequent creation of a single market with the 1992 Maastricht Treaty allowed mobility of the workforce across the EEC/EU. Moreover, the signing of the Schengen Agreement between Belgium, France, West Germany, the Netherlands and Luxemburg in 1985 and the subsequent implementation of the Agreement in 13 member states (1995–2001) led to the abolition of border controls and the free movement of people. South Tyrol/Bolzano was able to take advantage of these changes quite rapidly in the mid-1990s; Austria's accession to the EU in 1995 (and hence to the single market) and its implementation of the Schengen Agreement in 1997 boosted bilateral economic ties between South Tyrol and the Austrian Land of North Tyrol in terms of increased trade and tourism. Finally, the introduction of the Euro as a common currency in both Italy and Austria in 2002 further facilitated cross-border trade and free movement of goods and capital between these two regions.

H. Proportionality and Ethnic Quotas in Employment

Although amending language laws and education laws, as well as introducing more laws that prevent discrimination in the workplace, may go some way towards providing members of minorities with equal employment opportunities, this may in itself not be sufficient, given the prevalence of ingrained informal practices (see above). In certain contexts, it has been deemed necessary to introduce a policy of affirmative action in sectors in which inequalities in job opportunities are particularly severe. This applies above all to the civil service, where the government has direct leverage over recruitment practices and where majority dominance can result in minorities being economically disadvantaged, not only within the context of the civil service but also within other spheres that are affected by the decisions made in public bodies. One approach that can be employed is to introduce quotas for certain groups; such an approach was adopted for civil service recruitment in SouthTyrol/Bolzano within the terms of the Second Autonomy Statute of 1972, based on the so-called 'Package' of autonomy measures for South Tyrol, signed by the Italian and Austrian governments in 1969.

Prior to the Autonomy Statute, the Italian-speaking population of the Province of South Tyrol/Bolzano held disproportionately more state posts than the other linguistic communities and this had become one of the central elements of the dispute that sporadically led to low-level violence in the 1950s and 1960s. When the Autonomy Statute came into effect in 1972, less than 10% of civil servants in the state administration were German- or Ladin-speakers.[37] In the words of Alcock, "all the levers of job mobility were in the hands of the state or Italian-dominated region [i.e., Trentino-Alto Adige]".[38] However, the Autonomy Statute introduced ethnic proportions to ensure the proportional representation of Italian, German and Ladin-speakers in all state bodies in the province, with the exception of the Ministry of Defence and certain police forces, and a later law extended this principle to all provincial offices.[39] These posts amounted to nearly 90% of all public employment, although a time period of 30 years was set for the measure to be fully implemented. Gradually, ethnic paricipation in these bodies became more proportional and, by the end of the 30-year period, 69.2% of posts in the civil service were held by German-speakers, 27.3% by Italian speakers and 3.5% by Ladin-speakers—almost exactly the same as their proportions amongst the population at large.[40] Indeed, by the late 1990s, as tourism took off in the mainly German and Ladin-speaking rural areas of the province, it was the Italian community that was complaining about discrimination in employment.[41] For the German and Ladin-speaking communities, however, it can be said that the introduction of quotas was an effective means of reducing economic inequalities.

Similar, if more tentative, efforts were made to ensure proportionality of employment between Protestants and Catholics in Northern Ireland. In Northern Ireland, unemployment has traditionally been higher than in the rest of the United Kingdom and is

[37] See Emma Lantschner and Giovanni Poggeschi, "Quota System, Census and Declaration of Affiliation to a Linguistic Group", in Jens Woelk, Francesco Palermo and Josef Marko (eds.), *Tolerance Established by Law – Self-Government and Group Rights: The Autonomy of South Tyrol* (Martinus Nijhoff, Leiden, 2007), forthcoming.
[38] Antony Alcock, "Provincial and Nation-Level Government in South Tyrol", in Anthony C. Hepburn (ed.), *Employment in Divided Societies* (University of Ulster, Coleraine, 1981), also available at http://cain.ulst.ac.uk/csc/reports/employ.htm#tyrol.
[39] Provincial Law No. 40 of 1988.
[40] Lantschner and Poggeschi, "Quota System, Census and Declaration …"
[41] Thomas Kager, "South Tyrol: Mitigated but not Resolved", 1(3) *Online Journal of Peace and Conflict Resolution*, at http://www.trinstitute.org/ojpcr/1_3kag.htm.

concentrated in working-class enclaves of Belfast and other major cities. Although there are such Protestant enclaves as well as Catholic enclaves, there are more of the latter than the former and, at least until the 1990s, unemployment rates among Catholics were consistently more than twice that of Protestants; in the mid-1980s, the male unemployment rate for Catholics reached around 35%, compared to around 15% for Protestants.[42] Additionally, certain key positions, such as top posts in the civil service and managerial posts were traditionally dominated by Protestants.[43]

The first serious attempt to address these disparities was made in 1976 with the Fair Employment Act (NI). The Fair Employment Act made it "unlawful in relation to employment or occupations, to discriminate on grounds of religion or political belief; to engage in any victimization of persons, publication of discriminatory advertisements; and to incite anyone to commit an act of unlawful discrimination". The Act also brought into existence the Fair Employment Agency (FEA), which was tasked with fighting discrimination and encouraging affirmative action. In particular, the FEA provided employers with a Code of Practice and asked them to sign a declaration committing themselves to the principle of equal opportunities. Although the FEA had the power to investigate complaints of discrimination and even bring offenders to court, few checks were made on employers to make sure they were abiding by the principles of the declaration even if they had signed it. Moreover, the onus rested on employees to prove discrimination at the work place and very few cases were submitted to a tribunal.[44] Given the fact that differences in the rate of unemployment between Protestants and Catholics throughout the 1980s remained more or less unchanged, it appears that the Fair Employment Act (NI) of 1976 had little substantive effect.

[42] CAIN Web Service, "Discrimination and Employment …"
[43] Whyte gives details of the number of senior posts in the civil service held by Catholics in the late 1960s. Thus, despite making up 40% of the population of the province, in 1969 Catholics held just six out of sixty-eight senior judicial appointments; out of 332 members of public boards, just 49 (15%) were Catholics. Also, out of 8,122 people employed in the gas, electricity and water industries in 1971, just 1,952 were Catholics. Finally, in 1957, just 9 out of 139 hospital consultants were Catholics. John Whyte, "How Much Discrimination …"
[44] According to the report, "Discrimination and Unemployment", of 408 complaints (which, in itself, is probably rather low) that reached the courts over the period 1977–1985, only 29 resulted in a finding of unlawful discrimination. CAIN Web Service, "Discrimination and Employment …"

Somewhat more effective was the Fair Employment Act (NI) of 1989, which went much further by introducing compulsory monitoring of the religious composition of the workforce for all firms, public and private, that employed more than ten employees at any one time (as of 1992). The Fair Employment Act was implemented through the Fair Employment Commission (FEC), which was far more proactive than the FEA and had the power to monitor and examine work practices. From 1999, the work of the FEC was taken over by the Equality Commission (EC) for Northern Ireland.[45] Failure on the part of firms to submit data to the FEC/EC on the composition of their workforce would result in conviction and a fine. The new Act also made indirect discrimination illegal.[46] The requirement for firms to provide data on their workforce was extended to part-time workers in 1998 with the Fair Employment and Treatment (Northern Ireland) Order, providing they worked at least 16 hours per week. Finally, Section 75 of the Northern Ireland Act of 1998 imposes a statutory duty on public authorities to "have due regard to the need to promote equality of opportunity … between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation."

It would appear that the implementation of the Fair Employment Act (NI) of 1989 did indeed have an impact on reducing differentials in the workplace between Protestants and Catholics. After employment differentials remained more or less static during the 1970s and 1980s, the pattern began to change in the 1990s. While, in 1990, 34.6% of those employed in firms in the private sector with a workforce of more than 25 were Catholics, by 2005 the figure had risen to 41.5%. Similarly, during the same period, the proportion of civil servants who were Catholics rose from 37.2% to 47.9%.[47] Despite this positive change, however, differentials in the unemployment rate remained; in 2003, unemployment amongst Catholics stood at 8.3%, compared to 4.3% among Protestants.[48] In part, therefore, the higher employment rate amongst Catholics was the result of the

[45] *Ibid*.
[46] Martin Melaugh, "Majority-Minority Differentials: Unemployment, Housing and Health", in Seamus Dunn (ed.), *Facets of the Conflict in Northern Ireland* (Macmillan, Basingstoke, 1995).
[47] Equality Commission for Northern Ireland, "A Profile of the Northern Ireland Workforce: Summary of Monitoring Returns 2005", Monitoring Report No. 16, at http://www.equalityni.org/archive/pdf/MonitoringReportNo16.pdf.
[48] The Committee on the Administration of Justice, "Response of the Committee on the Administration of Justice to the Government Consultation Paper entitled 'A Shared Future'", June 2003, at http://www.caj.org.uk/Shared%20Future%20CAJ%20no.%20S143.pdf.

general economic upturn, brought about by the paramilitary ceasefires of the mid-1990s, often known as the 'peace dividend', and by rapid economic growth in the Republic of Ireland. However, it is likely that the implementation of the 1989 Fair Employment Act also played a major role. Both the case of South Tyrol and the case of Northern Ireland therefore show that policies to ensure proportional representation in the workplace, provided they are implemented energetically, can be effective in promoting equal economic opportunities.

I. The Need for Data

The cases of Northern Ireland and South Tyrol that were the subject of discussion in the previous section highlight how important it is to have reliable data on the extent to which members of minorities are excluded from public life, especially in terms of employment. In the case of Northern Ireland, in particular, the authorities were only really able to get a grip on the problem of inadvertent discrimination against Catholics (probably as a result of employing 'one's own people' or using informal networks as a means of employment) by monitoring employment practices right down to the level of the smallest firms. Only on the basis of such information can effective policies be developed to redress imbalances in employment or income.

The need for accurate data is also relevant with respect to EU policy, especially as regards the EU's current efforts to combat social exclusion. Following the Lisbon summit in 2000, which marked the start of the so-called 'Lisbon strategy' to make the EU economy more competitive and dynamic, the need to combat social exclusion within the EU was given greater priority. Within the framework of the Lisbon Strategy, in 2001, the European Parliament and the Council of the European Union launched a programme of Community action to encourage member states to combat social exclusion. Through this programme, all EU member states (including Bulgaria and Romania from 2006) agreed to draft National Action Plans (NAPs) with strategies on how to overcome this problem. This new emphasis could potentially be used as a tool to fight the economic

marginalization of minorities; however, the problem of exclusion of national minorities (especially autochthonous minorities) has yet to feature highly as part of this initiative.[49]

Part of this problem is that the EU has no information as to the extent to which minorities do, in fact, suffer from social or economic exclusion. Although the NAPs that each country is expected to submit within the framework of the EU's social inclusion policy are meant to include a set of indicators of social exclusion (the so-called 'Laeken indicators'), including poverty rates and thresholds, income distribution, unemployment, rates of early school leaving and low literacy, as well as life expectancy and health data, there is no requirement to disaggregate this data according to ethnic affiliation. As many commentators have pointed out, including representatives of the EU itself, the lack of disaggregated data makes it difficult for the EU and EU member states to identify the socio-economic problems that are specific to minority communities and still harder for them to devise a policy framework to deal with them.[50]

III. Conclusion

The four case studies presented here demonstrate clearly how economic development in regions in which minorities are concentrated sets the framework for peaceful coexistence, cooperation and democratic development in multi-ethnic societies. In South Tyrol/Bolzano, despite a history of sporadic violence in the 1950s and 1960s, the possibility of such incidents being repeated today is almost inconceivable and this is due, in part at least, to increased economic prosperity in general and to greater economic equality between the communities in particular. Similarly, the reduction of interethnic tensions between Romanians and Hungarians in Transylvania after the fall of communism, which had culminated in a violent incident in the town of Targu-Mures in

[49] See Tove Malloy, "The Lisbon Strategy and Ethnic Minorities: Rights and Economic Growth", ECMI Issue Brief No. 13 (2005), at http://www.ecmi.de/download/brief_13.pdf.

[50] Thus, a report by the European Monitoring Centre on Racism and Xenophobia (itself an EU body) laments that "it is difficult to form representative and comparable statistical groups out of the immigrant and minority populations in the EU member states" and that "relevant data on migrants and minorities, that are sufficiently detailed to yield a representative picture of inequalities on the labour market, do not exist". The report recommends that "[t]he European Union and the Member states should … take the necessary steps for the improvement of the availability, scope, and quality of the data on migrants and minorities." See European Monitoring Centre on Racism and Xenophobia, "Migrants, Minorities and Employment: Exclusion, Discrimination and Anti-Discrimination in 15 Member States of the European Union", October 2003, at http://eumc.europa.eu/eumc/material/pub/comparativestudy/CS-Employment-en.pdf.

1990, has gone hand in hand with a gradual increase in economic prosperity, which Hungarians have shared in just as much as Romanians. Even in Estonia, where some Russian-speakers remain economically disadvantaged in comparison with their Estonian counterparts, the fact that they have enjoyed higher living standards than their co-ethnic brethren in the Russian Federation has proved a formidable counterweight to Russian irredentism. Finally, in Northern Ireland, increased economic prosperity has gone hand in hand with a reduction of tensions and an end to violence, although it remains unclear in which direction the arrow of causality points.

Of course, economic factors are not the only factors that have helped promote inter-ethnic harmony, stability and democracy. Political factors have also played a role. Thus, in Northern Ireland the close political relationship that developed between the British and Irish governments during the late 1990s and early 2000s facilitated the peace process and paved the way towards the power-sharing arrangement that eventually took hold in 2007. Similarly, in Romania the prospects for political dialogue improved markedly in 1996 with the entry of the DAHR into the governing coalition (see above). However, in most of our cases the prospects for political dialogue have been enhanced by more favourable economic circumstances for the region in general and for the relevant minority in particular.

In Section II, a number of factors were identified that, in part at least, determine the extent to which members of ethnic and national minorities enjoy the same economic opportunities as their majority counterparts in four sub-national regions of Europe. From this analysis, we can draw the following (tentative) conclusions. First of all, the context in which minorities live is especially important. The effects of rapid economic change in the context of privatization illustrate this best. Due to their geographical proximity to Hungary and the establishment of cross-border networks with the neighbouring state, Hungarians in Transylvania fared relatively well as a result of privatization in comparison with their Romanian counterparts. However, the same could not be said for Russians in Estonia's Ida Virumaa, due to the fact that most Russians were working in the very same heavy industries that were worst hit by privatization and market reforms. These industries

were decimated when the highly centralized internal market of the USSR collapsed, as they were not competitive in the global marketplace.

Rapid economic change is therefore likely to affect all minorities differently. One group that is likely to be affected particularly negatively is the Roma. Given the fact that Roms tend to be marginalized anyway, all economic restructuring that leads to higher unemployment often affects Roms first as often they are first to lose their jobs. Here, a comment by Alan Philips, the current President of the Advisory Committee on the Framework Convention for the Protection of National Minorities, on the effects on the Roma community of downsizing the state sector is illustrative. According to Phillips, members of this group who previously carried out menial functions within state bodies "were made redundant and changed from being impoverished to being destitute".[51]

One more example of how contextual factors can determine how minorities are affected by different institutional arrangements is the way the territorial-administrative structure of the state affects the economic opportunities of minorities. Thus, in South Tyrol/Bolzano, the establishment of an autonomous province seemed like an ideal mechanism to help secure the economic rights of the German-speaking community. However, this is because German-speakers are compactly settled in this region in a way that is quite unlike the rest of Italy and an autonomy solution is therefore feasible. Such a solution would not, however, be feasible for minorities that are geographically dispersed, such as the Roma.

Another key factor is the presence or absence of a kin-state and the relationship between the host state in which the minority lives and that kin-state. As has already been mentioned, Hungarians in Transylvania drew great benefit economically from economic relations with their kin-state, Hungary. Similarly, the close political and economic ties forged between the United Kingdom and the Republic of Ireland during the Blair and Ahern administrations, combined with the rapid economic growth in the Republic, had

[51] Alan Phillips, "Commentary Focusing on the Economic Participation of National Minorities", paper presented at the Conference 'Filling the Frame', 5th Anniversary of the Entry into Force of the Framework Convention, Strasbourg, 30–31 October 2003, at http://www.coe.int/t/e/human_rights/minorities/5._5_anniversary/PDF_Final%20commentary%20_Phillips_workshop1_participation.pdf.

significant (positive) ramifications for economic prosperity in Northern Ireland, both in general and for Catholic communities in particular. The same can be said for the German-speaking population of South Tyrol/Bolzano, who developed ever greater ties with their neighbours from the Land of North Tyrol in Austria as both Italy and Austria integrated more into the European Union, removing border controls and adopting a single currency. The relationship with the kin-state did not, however, work well for the Russians in Estonia, given the sometimes difficult relationship between Russia and Estonia, declining trade relations between the two countries as Estonia prepared to join the EU and Russia's relative poverty in comparison with Estonia. At the same time, Estonia's relative wealth had a positive impact on the integration of the Russian minority in that it discouraged Estonia's Russians from seeking irredentist solutions and encouraged them to participate in Estonian public life, rather than join Russia.

The fact that the impact of different institutional designs and different economic models are context-dependent means that policies to combat the economic exclusion of minorities need to be very carefully tailored to suit the particular circumstances in which the given minority lives. This means that there can be no 'catch all' package of policies that can be used for all cases. At best, we can come up with a series of general principles that will need to be adapted according to historical, geographical and political circumstances.

The second conclusion that we can draw is that EU regionalization through the disbursement of structural funds to regions only has an impact when the regions demarcated (i.e., NUTS regions) in some way correspond to the historical identities of those who live there and are backed up by extensive regional self-government. Through its far-reaching level of autonomy, the region of South Tyrol/Bolzano was able to exploit the structural funds it received from the EU in the most productive manner possible by exercising wide discretion over how they were allocated and even negotiating directly with Brussels. In Romania's Development Regions, however, EU structural funds had little impact, firstly, because these regions had little or no correspondence with any pre-existing regional identities and, secondly, because the highly centralized unitary state of Romania gave the regions little real power over how these funds were to be disbursed.

Thirdly, we saw how the introduction of ethnic quotas in the civil service and/or active monitoring of the proportion of minorities employed in public and private firms, coupled with the likelihood of intervention in the case of active or passive discrimination, had a real impact on the number of members of minorities employed in different sectors in both South Tyrol/Bolzano and Northern Ireland. It must be stressed, however, that in order to be effective, this policy must be applied robustly and not be limited to a simple prohibition of discrimination, as was the case with the 1976 Fair Employment Act (NI). Employment differentials between communities are maintained far more by informal practices, such as drawing from one's own informal network of 'like-minded people', than from active discrimination. Only rather intrusive intervention that even goes as far as affirmative action can overcome this 'inadvertent discrimination'.

Finally, the abovementioned need for close monitoring underscores the need to obtain accurate data about the economic circumstances of members of national and ethnic minorities. This is particularly relevant in the context of the EU's ever-growing interest in issues of social inclusion. Well-informed policies to tackle the problem of social and economic exclusion and marginalization of minorities are only possible if we have accurate socio-economic indicators across Europe that are disaggregated according to ethnicity. This was highlighted by the Advisory Committee on the Framework Convention for the Protection of National Minorities in their Opinion on Germany (1 March 2002). According to the Opinion "[t]he lack of good statistical data makes it difficult for the German authorities to ensure that the full and effective equality of national minorities is promoted effectively". In particular, the absence of such data makes it impossible for the authorities to evaluate the unemployment rate for each national minority.[52]

The list of factors outlined in this paper that impact upon the relative economic status of minorities is far from exhaustive. The factors discussed in Part II were those that emerged from the particular cases that were under the spotlight. However, there are many other factors in other contexts that may affect the participation of minorities in the national and

[52] Advisory Committee on the Framework Convention for the Protection of National Minorities, "Opinion on Germany", adopted on 1 March 2002. Available at https://www.coe.int.

global economies. In particular, it is not only external phenomena such as sudden economic change or the institutional and legal framework of a country or region that matter, factors that are intrinsic to certain communities matter as well. These relate to a given community's perception of itself within its social environment, which are formed over generations. In the past, this perception was typically framed by what is sometimes known as the ethnic specialization of labour, according to which certain nationalities filled different economic niches. This meant that many ethnic communities came to hold particular expectations about their role in society. While the ethnic specialization of labour *strictu sensu* mainly broke down in the twentieth century, many members of Romani communities in much of Europe are still consigned to menial forms of employment, remain unemployed or eke out a living on the black market. Low social and professional expectations amongst Roms impact negatively upon their educational qualifications and achievements and undermine the economic prospects of this group. This is partly due to expectations of social status that are passed down from generation to generation within the community and partly due to the attitudes held by non-Roma within the education system, who often stereotype Roms as underachievers. Whatever the case, the example of Roms shows that social expectations—both those of minorities and those of majorities—can have a crucial impact on the economic prosperity of the former.

Biographical Note

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