ASSESSMENT OF THE LABOUR MARKET IN MONTENEGRO

European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities

FINAL STUDY REPORT
Assessment of the labour market in Montenegro

This report was financed by and prepared for the use of the European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities. It does not necessarily represent the Commission's official position.

http://ec.europa.eu/

**Contractor:**
Institute for Strategic Studies and Prognoses

www.isspm.org

© European Communities, 2010
Reproduction is authorised provided the source is acknowledged.
Contents

INTRODUCTION ............................................................................................................. 10

CHAPTER I - Current state and performance of the labour market ....................... 15

1. INTRODUCTION ........................................................................................................ 16
2. RECENT LABOUR MARKET TRENDS ...................................................................... 18
   2.1. Demographic trends .......................................................................................... 18
   2.1.1. Internal migration .................................................................................... 21
   2.1.2 Poverty and social exclusion ..................................................................... 23
   2.2. Labour force participation .............................................................................. 27
   2.2.1. Labour force participation rate ................................................................. 28
   2.2.2. Labour force participation rate by age ..................................................... 29
   2.2.3. Labour force participation rate by gender .............................................. 30
   2.2.4. Inactive population .................................................................................. 31
   2.3. Employment trends ......................................................................................... 31
   2.3.1. The main structural characteristics of the employment .......................... 35
   2.3.1.1 Employment rate .................................................................................. 35
   2.3.1.2 Employment by gender ......................................................................... 36
   2.3.1.3 Employment by age ............................................................................. 39
   2.3.1.4 Employment structure by economic activity ........................................... 40
   2.3.1.5 Employment structure by school attainment ......................................... 41
   2.3.1.6 Employment in informal economy ....................................................... 43
   2.4. Unemployment trends ....................................................................................... 46
   2.4.1. The main structural characteristics of the unemployment ....................... 49
   2.4.1.1 Unemployment by gender ................................................................. 49
   2.4.1.2 Unemployment by age - youth unemployment .................................... 51
   2.4.1.3 Duration of job search - long term unemployment ............................. 52
   2.4.1.4 Regional aspects of unemployment ..................................................... 54
   2.4.1.5 Structure of unemployed by working experience ............................... 56
   2.4.1.6 Unemployment by educational attainment ......................................... 57
   2.4.1.7 Structural unemployment ................................................................. 57
   2.5. Average wages ............................................................................................... 60

Assessment of the labour market in Montenegro
Assessment of the labour market in Montenegro

2.5.1 Average wages according to the economic activity in 2009 ........................................... 62

2.6 Assessment of the impact of the current global economic crisis on Montenegrin labour market ......................................................................................................................... 63

2.6.1 The effects of crisis on unemployment .............................................................................. 64

2.6.2 The effects of crisis on the level of wages ......................................................................... 67

2.6.3 The effects of crisis on different groups .......................................................................... 68

2.6.4 The response to the crisis .................................................................................................. 71

3. SUMMARY AND CONCLUSIONS ...................................................................................... 74

CHAPTER II - Panorama of the current employment policies ........................................ 80

1. INTRODUCTION .............................................................................................................. 81

2. LABOUR MARKET FLEXIBILITY AND EMPLOYMENT PROTECTION LEGISLATION .... 83

2.1 Flexibility and security on the labour market - Flexicurity .............................................. 83

2.2 Employment Protection Legislation .................................................................................. 90

3. HUMAN RESOURCES DEVELOPMENT ........................................................................ 96

3.1 Workforce Skills Development in Montenegro ............................................................... 99

3.1.1 Link of the Strategies for education with the concept of lifelong learning .................. 103

3.2 Financing of education system in Montenegro ................................................................. 106

3.3 Vocational Education and Training (VET) ...................................................................... 107

3.4 Continuing Work-related Education and Training (CET) ............................................. 113

3.5 Human Capital Outcomes ............................................................................................... 114

3.6 Comparison with EU and region .................................................................................... 115

3.6.1 Human Resources Development in EU ........................................................................ 115

3.6.2 Human Resources Development in regional countries .............................................. 116

3.6.2.1 Serbia ................................................................................................................... 116

3.6.2.2 Albania ............................................................................................................... 116

3.6.2.3 Federation of Bosnia and Herzegovina .................................................................. 117

3.6.2.4 Former Yugoslav Republic of Macedonia (FYRM) .............................................. 118

3.6.2.5 Croatia ............................................................................................................... 119

4. EMPLOYMENT SERVICES AND ACTIVE LABOUR MARKET POLICIES ............... 120

4.1 Employment services ....................................................................................................... 120

4.2 Active Labour Market Policies (ALMPs) ........................................................................ 122

4.2.1 Evaluation of Active Labour Market Policies (ALMPs) .............................................. 128

4.2.1.1 Direct effects on employment and unemployment ................................................ 134

4.2.1.2 Interaction of ALMPs with other policies and institutions .................................... 136
Assessment of the labour market in Montenegro

4.2.1.3 SWOT analysis of ALMPs in Montenegro .............................................................. 138

4.3 Regional comparison between Montenegro and region countries and member states of EU .............................................................. 141

5. PASSIVE LABOUR MARKET POLICIES ........................................................................ 141

5.1. Unemployment benefits ........................................................................................ 145

6. SOCIAL WELFARE ........................................................................................................ 146

6.1. Maternity Leave .................................................................................................... 147

6.2. Sickness Benefit .................................................................................................. 148

6.3. Social Assistance Benefits .................................................................................. 148

6.4 Financing of Social Welfare ................................................................................... 150

7. INCOME POLICY .................................................................................................... 150

7.1 Wage policy .......................................................................................................... 150

7.1.1 Amendments to the General Collective Agreement ..................................... 152

7.2 Tax policy ............................................................................................................ 154

8. Equal Opportunities Policies ................................................................................... 155

8.1 Gender issue ........................................................................................................ 155

8.2 Vulnerable groups ............................................................................................... 157

8.2.1 Education of adult persons with disabilities .................................................. 159

8.2.2 Employment of disabled persons ..................................................................... 160

8.2.3 Position of youth on Montenegrin labour market .......................................... 167

8.2.4 Youth Employment .......................................................................................... 169

8.2.5 Employment of long-term unemployed persons .............................................. 170

8.2.6 Education of ethnic minorities ......................................................................... 171

8.2.7 Employment of ethincal minorities .................................................................. 172

8.2.8 Education of persons with special needs ......................................................... 172

8.2.9 Employment of persons with special needs ....................................................... 173

9. SOCIAL DIALOGUE .................................................................................................. 172

9.1 Legislative framework .......................................................................................... 172

9.2 Social partners ..................................................................................................... 175

9.2.1 Trade Union ...................................................................................................... 175

9.2.2 Organisations of employers ............................................................................. 176

9.2.3 Social Council .................................................................................................. 177

9.3 Bipartite and tripartite social dialogue .................................................................. 179

10. INTERNATIONAL AND MAIN BILATERAL DONORS’ INTERVENTIONS .......... 181

11. SUMMARY AND CONCLUSIONS ............................................................................ 186

CHAPTER III - Overview of the labour market institutions ............................. 1
Assessment of the labour market in Montenegro

1. INTRODUCTION

2. INSTITUTIONAL FRAMEWORK

2.1 Ministry of Labour and Social Welfare (MLSW)

2.1.1 Labour Inspection

2.2 Employment Agency of Montenegro (EAM)

2.3 Private employment agencies

2.3.1 Employment agency - Marmil

2.3.2 Employment Agency - Career Team

2.4 Labour Fund

2.5 Agency for Peaceful Resolution of Labour Disputes

2.6 Union of Employers

2.7 Montenegro Business Alliance (MBA)

2.8 Institutions linking labour market and education system

2.9 Human Resources Administration

2.10 Confederation of Trade Unions of Montenegro (SSSCG)

2.11 Union of Free Trade Unions

2.12 Social Council

3. ASSESSMENT OF THE ADMINISTRATIVE CAPACITY OF MONTENEGRO TO EFFECTIVELY IMPLEMENT EMPLOYMENT POLICIES

3.1 Assessment of the administrative capacity of Ministry of Labour and Social Welfare (MLSW) to effectively implement employment policies

3.2 Assessment of the administrative capacity of Labour Inspection to effectively implement employment policies

3.3 Assessment of the administrative capacity of EAM to effectively implement employment policies

3.4 Assessment of the administrative capacity of private employment agencies to effectively implement employment policies

3.5 Assessment of the administrative capacity of institutions linking labour market and education system to effectively implement employment policies

3.6 Assessment of the administrative capacity of institutions representing employers to effectively implement employment policies

3.7 Assessment of the administrative capacity of Trade Unions to effectively implement employment policies

3.8 Assessment of the administrative capacity of HRMA to effectively implement employment policies

4. CONCLUSIONS

CHAPTER IV – CONCLUSIONS AND FUTURE CHALLENGES
Assessment of the labour market in Montenegro

LIST OF GRAPHS AND TABLES:

CHAPTER I ................................................................................................................... 1

Graph 1: Population in Montenegro (1991-2008)............................................................. 18
Table 1. Population in Montenegro by gender ................................................................. 18
Graph 2: Population by age group (2003 vs. 2008) ......................................................... 19
Table 2: Population in Montenegro aged 15-64 (working age population) ......................... 19
Graph 3: Average age of population ............................................................................... 20
Graph 4: Natural population change per 1000 persons .................................................... 21
Graph 5: Poverty rate by population groups ................................................................. 24
Graph 6: Social exclusion by different vulnerable groups ................................................. 25
Graph 7: Indicators of exclusion by region ..................................................................... 25
Table 3: The labour force in Montenegro (15 +) ............................................................. 28
Table 4: Labour force participation rate (2003-2009)....................................................... 28
Table 5: Labour force participation rates by age (2003-2009) .......................................... 29
Table 6: Activity rate in Montenegro by gender .............................................................. 30
Table 7: Inactive population (15-64) .............................................................................. 31
Table 8: Number of registered employed persons in Montenegro in period 2000-2009 ...... 33
Table 9: Number of employed persons (2003-2009)........................................................ 35
Table 10: Employment rate in Montenegro .................................................................... 36
Table 11: Employment by gender and activity (2009)...................................................... 37
Table 12: Employment by gender and educational attainment, (2009) ......................... 39
Table 13: Number of unemployed persons in Montenegro (2000-2009) ....................... 48
Table 14: Unemployment rate in Montenegro (2004-2009) ............................................ 49
Table 15: Unemployed persons in Montenegro by gender (2000-2009) ....................... 50
Table 16: Unemployment rate by age (2005-2009) ......................................................... 51
Table 17: Indicators of youth unemployment .................................................................. 52
Table 18: Unemployed persons by job claim duration .................................................... 53
Table 19: Unemployment by regions ............................................................................ 54
Table 20: The share of persons looking for employment by employment record ............ 56
Table 21: Share of unemployed according to the educational attainment.......................... 57
Table 22: Number of vacancies reported to EAM, number of unemployed and S/D ratio .... 58
Table 23: Average wages in Montenegro in the period 2003-2009 (in €).......................... 58
Graph 13: Average gross and net wages in the period 2008-2009 .................................... 61
Table 24: Average gross and net wages by economic activity in the period 2008-2009..... 62
Graph 14: Unemployment rate, employment growth rate and real GDP growth rate (2002-
2009) ..........................................................................................................................64
Table 25: Unemployment data ....................................................................................... 65
Table 26: Number of employees in selected companies .................................................. 65
Table 27: Employment by sectors in 2009 and 2010 (the first two quarters) ................. 66
Table 28: Inflow and outflow of registered unemployed by causes .................................. 67
Table 29: Average gross and net wages during 2008-2010 (in €) .................................... 67
Table 30: Unemployment and employment in Montenegro by gender (in 000) ................. 68
Table 31: Unemployment and employment in Montenegro by age groups ................... 69
Table 32: Unemployment rates among population groups by the level of education ....... 70
Table 33: The share of employed by regions in overall employment .............................. 70
Table 34: Employment tax rates in 2008, 2009 and 2010 (% of payroll/wages) ............... 71

CHAPTER II - Panorama of the current employment policies ................................. 1

Table 1: Annual public expenditure on education as % of total budget expenditures ......105
Table 2: Share of 25-64-year-olds participating in work-related education and training...112
Table 3: Budget for ALMPs in 2008, 2009, 2010 ............................................................128
Table 4: Impact of ALMPs on participants and society as a whole ..............................135
Table 5: SWOT analysis of active labour market policies in Montenegro ....................138
Graph 1: Public expenditure on ALMPs in EU27 and Montenegro, 2008 .......................142
Graph 2: Labour tax rates in Europe .............................................................................143
Table 6: Minimum wages in Montenegro and region’s countries ..............................143
Table 7: Wage coefficient according to the GCA ..........................................................150
Table 8. Benefits of the worker according to the GCA ..................................................150
Table 9: Taxes and contributions on employment in Montenegro ..............................154

CHAPTER III - Overview of the labour market institutions .................................... 175

Table 1: Financial plan of MLSW (million of Euros) .....................................................179
Table 2. Employment and financial plan of EAM (million of Euros) ..................191
Table 3: S.W.O.T. analysis for Montenegrin Ministry of Labour and Social Welfare (MLSW)....
.................................................................................................................................227
Table 4: S.W.O.T. analysis for Employment Agency of Montenegro (EAM) .................231
Table 5: S.W.O.T. analysis for private employment agencies in Montenegro ...............233
Table 6: S.W.O.T. analysis for institutions linking labour market and education system in
Montenegro .................................................................................................................234
Table 7: S.W.O.T. analysis for institutions representing employers (Union of Employers and
Montenegro Business Alliance) ..................................................................................238
Table 8: S.W.O.T. analysis for Trade Unions ...............................................................239
Table 9: S.W.O.T. analysis for HRMA ..................................................................... 241

* * *
INTRODUCTION
Assessment of the labour market in Montenegro

In 2006, Montenegro became independent state and the post-independence period was marked by a high GDP growth rate, driven mostly by a high inflow of FDI, an increase in services sector activities such as tourism and tourism related activities and the real-estate sector. GDP real growth rate in 2006 was at the level of 8.6%, in 2007 it reached the level of 10.7%, while in 2008 amounted to 6.9%. Positive trends in the economy influenced the same way labour market since Montenegro started developing modern and sophisticated labour market programmes and institutions. As far as labour market indicators are concerned, the average real annual net wage growth in 2006 and 2007 reached 15%, respectively. In 2008, average gross wage (€651) increased by 22.5%, compared to 2007, while the average net wage (€443) also increased by 23.07% compared to 2007. In 2009, average net wage increased by 5.5% as compared to the 2008. Namely, the average gross wage in 2009 amounted to €643, while the average net wage was at the level of €470. In 2010, average gross wage (€715) increased by 11.2% compared to 2009, while the average net wage (€479) increased by 3.5% compared to 2009.

On the negative side, Montenegro, as almost all other countries, was hardly hit by the global economic crisis. Developments in the global economy have led to the drop in income/revenue, and have reduced demand, production, exports, trade and construction activity. The financial situation of businesses, be they large, small or medium-sized enterprises, and families, both middle-class and working-class, has inevitably suffered. Montenegrin economy experienced negative GDP growth rate of 5.7% and worsening of almost all macroeconomic indicators. While it is natural for the crisis and its social consequences to occupy the centre of attention, they should not be allowed to overshadow the longer-term challenges facing Montenegro and the need to press ahead with the necessary structural reforms.

Despite the progress achieved on Montenegrin labour market over the last several years (especially in terms of the falling unemployment rate), there are still several serious deficiencies. Firstly, a relatively low population activity, especially regarding females, high incidence of long-term unemployment and the mismatch between labour supply and labour demand. All of these could be attributed to several factors – job losses due to restructuring, entry barriers to the labour market (a high level of employment protection and fiscal burden imposed on labour, although falling in the most recent period). There are also considerable risks associated with inequalities and the phenomenon of social exclusion. In addition to this, an issue of high concern in the Montenegrin labour market is the high level of undeclared work. According to the ISSP Labour Force Survey 2007 data, close to 50,000 or 22.6% of the total number of employed persons is employed in the informal sector companies or hold an informal employment in formal sector companies (informal employees). In addition, for 31,000 or 17.5% of registered employed persons, social security contributions are only paid on 50% of their actual wages.
Assessment of the labour market in Montenegro

Recognition of the above mentioned led Government of Montenegro to the understanding that the employability and adaptability of citizens is vital for Montenegro to maintain its commitment to become a competitive and dynamic knowledge-based economy, as well as a more comprehensive and tolerant society, in which citizens have the opportunity and ability to realise their ambitions. Consequently, over the recent period a number of Strategies and policies was adopted with the view to make Montenegrin labour market much closer to the European Union standards. At the same time new Laws were adopted, among which the most important being: the Labour Law, the Law on Employment and Realization of Rights from Insurance against Unemployment, the Law on Employment and Work of foreigners, the Law on National Vocational Qualifications, the Law on Recognition of Education Qualifications, etc.

In 2008, Ministry of Health, Labour and Social Welfare, Government of Montenegro, adopted ‘National Strategy for Employment and Human Resource Development 2007-2011’ whose overall objective is to raise the level and the quality of employment in Montenegro¹. The main tool recognized for reaching this goal is to improve conditions for employment and to boost investments in human capital. The Strategy constitutes a direct continuation of and an update to the ‘National Employment Strategy’ that was adopted by the Government of Montenegro in the first quarter of 2007. The Strategy has been updated with due account given to the provisions of the “Stabilisation and Association Agreement” related to preparations for participation of Montenegro in the EU integrated socio-economic policies and adoption of the Acquis Communautaire (in particular the EU Employment Guidelines of 2005). The National Employment Strategy for the period 2007 – 2011 is adopted with the aim that trends and structural relations similar to developed market economies are reached in the forthcoming process of EU accession in the field of labour market.

¹ The National Strategy’s main indicators to be achieved by 2011 are the following:
1. A total employment rate of at least 60%;
2. An employment rate among women of at least 50%;
3. An employment rate among older workers of at least 32%;
4. An unemployment rate below 10%;
5. Every unemployed person to be offered a new start before reaching 6 months of unemployment in the case of young people and 12 months in the case of adults in the form of training, re-training, work experience, a job or other employability measure, combined with on-going job search assistance;
6. At least 50% of long-term unemployed persons to participate in active measures in the form of training, re-training, work experience, a job or other employability measure, combined with on-going job search assistance;
7. An increase in the proportion of 22 year-olds who have completed upper secondary education;
8. A decrease in the rate of early school-leavers;
9. Participation in lifelong learning to be undertaken by at least 10% of the adult working population;
10. Childcare provided to children between 1 and 3 years of age to be made more accessible, whereas the care for children between 3 and 5 years of age to be provided to at least 30% of preschool children.
Assessment of the labour market in Montenegro

The implementation of particular Strategy measures has been carried out, dimensioned and made more dynamic, corrected or supplemented with the new ones through two-year operational Employment Action Plans. They set out detailed activities (legal changes, programmes, projects and their corresponding budgets) planned for implementation of the measures envisaged by the "National Strategy for Employment and HRD 2007-2011".

The main goal of the Study "Assessment of the Labour Market in Montenegro" is to present up-to-date and relevant analysis of the current state and recent trends on the labour market in Montenegro. Its special purpose is related to the assessment of the current employment policies as well as of the adequacy and future sustainability of the employment policies, the capacity of the labour market institutions and their internal cooperation, including social dialogue in Montenegro. The Study also needs to explore and to identify what are the key future employment policy challenges for Montenegro in the light of its EU integration process. Issues of combinations of flexibility and security (Labour Law, social security); wages, taxes and benefits and equal opportunities (for those categories of society / social groups which face special difficulties when entering labour market and therefore require special attention, such as disabled persons, women, minorities and the like) are comprehensively examined.

The Study provides an overview of all ALPMs conducted over the recent period (Stimulation of Entrepreneurship and Self-Employment Programme, Trainee Employment Programme, A Chance for Youth Programme, various public works, and co-financing of existing jobs and the like). In this context, special attention is devoted to the women and men dimension, in terms of finding out if there was gender balance regarding participation in ALPMs.

In addition, specific labour relations are explained in details. This is related to the way in which salaries are formed on the national level (General Collective Agreement), organization of actual relations within sectors, branches and individual companies through negotiations between social partners (associations of syndicates and employers).

Bearing in mind that the current global economic crisis might jeopardize labour market and employment policies development and especially key future challenges in Montenegro, Study places special attention on this issue. Namely, crises are periods of structural change in the economy, which the workforce needs to prepare for. The lower demand for labour they bring may also offer a time-limited window of opportunity for workers to improve their skills. During an economic crisis, falling demand and cuts in production bring a higher risk of mass layoffs. As a result, companies lose their skilled human resources, while unemployment impacts negatively on the work habits and competencies of the workers laid off.

Finally, since one of the basic commitments of the Government of Montenegro at this stage of its European integration is to strengthen its administrative and institutional capacities at all levels, value added of this Study is thorough and
Assessment of the labour market in Montenegro

comprehensive analysis of the administrative capacity of Montenegro to effectively implement employment policies and assessment of the current phase of the labour market institutional building. In that way, the need for capacity building, with special considerations given to future requirements related to the potential accession process, will be assessed. Assessment of the adequacy and future sustainability of the employment policies, the capacity of the labour market institutions and their internal cooperation is of crucial importance for the further sharpening of the labour market in Montenegro.

* * *
CHAPTER I

Current state and performance of the labour market
1. INTRODUCTION

After the proclamation of independence in May 2006, Montenegro has made great progress on both political and economic plans. The country successfully set out the foundations for a market economy and strengthened its democratic institutions. Today, Montenegro has the characteristics of an open economy. The main factors that have contributed to the strong economic growth achieved in the previous period include the introduction of the euro as official currency and the effects it had on the stabilization of the economic system, privatization, particularly the process of mass voucher privatizations, and tax reform. A number of reforms and structural changes in the field of price and trade liberalization, privatization and stable-managed public finance were the main conditions leading to the stimulation of economic growth. Today, the main development goals relate to the growth of economic freedom, strengthening the rule of law as a prerequisite of building modern institutions of parliamentary democracy, as well as improving living standards by offering high quality public services through effective systems of education, health and social protection.

After a period of relatively low economic growth in earlier decades, the Montenegrin economy has been growing at 7.2% annually in period 2006-2008. Strengthening of both economic and political situation has attracted the great interest of foreign investors, especially in the fields of tourism, real estate and financial services. Specifically, foreign investors have recognized the advantages of a healthy and stable currency, reduced transaction costs and low political risks that adoption of euro has brought. As a result of that, over the last three years as far as the region is concerned, Montenegro recorded the largest share of FDIs in GDP (at about 25%). Montenegro has so far privatized approximately 85% of the state capital. Some sectors, like banking, capital markets, and telecommunications, are 100% privatized. However, the continuation of privatization in the field of energy and transport is of key importance for the further growth of competitiveness of the Montenegrin economy.

The increase of economic activities in the recent years positively influenced labour market trends, as well. In Montenegro, conditions for the movement of labour and access to the labour market have been improving. Although, the labour market of Montenegro has undergone large shifts during the transition, structural problems have remained, such as high inactivity rates, low female labour market participation, territorial imbalances and slow increases in productivity. Also, the current global economic crisis is spilling over its impact on Montenegro. Consequently, this has the negative effect on the movement on the labour market.

The opening Chapter of the Study “Assessment of the Labour Market in Montenegro” deals with the very important issues for the overall development of Montenegro and
Assessment of the labour market in Montenegro especially for the quality of life of every Montenegrin citizen, and these are employment and unemployment. Namely, employment is an indicator of economic, cultural and social prosperity of community, source for living for the broadest population corpus and the way of stabilizing socio-economic status of individuals and community. For every country, including Montenegro, employment, together with the level of inflation is the most striking indicator of the economic and social situation. On the other hand, unemployment is a synonym for poverty, social marginalization and unnecessary and irrecoverable waste of human resources. The fight against unemployment and its downsizing has to be the subject of the mutual interest of all stakeholders and the integral crucial part of the medium term and long term vision of the overall development of one society. This Chapter closes with the heating issue in these days not only in Montenegro, but in the entire world, and that is the impact of the global economic crisis to the labour market.

The main research techniques used for preparation of Chapter I were desk research and expert interviews. Desk research referred to the collection, review and analysis of the labour market data produced by the producers of the statistical data in Montenegro (the Law on Statistics and Statistical System of Montenegro (Official Gazette of RMNE, no. 69/05). In the desk research ISSP collected, reviewed and analysed all existing data on the current trends and perspectives of the labour market relevant to the project objectives: institutional overview, legislation, policy documents (Strategies, Surveys, domestic Studies and international Studies (for the purpose of comparative analysis)), economic, demographic, social protection and health and pension indicators, etc. Desk research was aimed to define, present and analyze: the current state of the labour market, the recent labour market trends, regulatory framework, etc. This is especially related to the main structural characteristics of the employment, expressed via the following labour market indicators: participation rates, employment rates, unemployment rates, inactivity rates, etc. All indicators were gathered for the time period covering 2000-onwards (where possible). Performance monitoring, that is a breakdown on age, education, sex and region (urban/rural disparities and disparities between regions) was given for all important indicators. Based on this it was possible to get a clear picture about the current state of the labour market in Montenegro. This research techniques completely covered part Recent Labour Market Trends. Another technique – expert interviews, was used in the part Assessment of the impact of the current global economic crisis on Montenegrin labour market, with representatives of labour market institutions in Montenegro. During expert interviews and with appropriately selected experts for conversation it was possible to discuss and clarify a lot of issues that are blurry defined in the Laws, some Laws loopholes as well as practical evidence and empirical experience in implementing Laws and by-Laws. Expert interviews provided a lot of inputs regarding clear definition and explanation of particular activities of each institution as well as employment programs and policies on the Montenegrin labour market. Interviews with selected individuals were conducted with the main
Assessment of the labour market in Montenegro

aim to identify current activities and future policy actions and also to gain info on perception of labour market perspectives in the light of prospect EU membership.

2. RECENT LABOUR MARKET TRENDS

2.1. Demographic trends

*Total population number* in Montenegro has almost not changed since 2003.² In 2003 and 2008 total population was 620,145 and 628,804, respectively. The annual population growth rate was ranging from 0.8% in 2003 (as compared to previous Census data from 1991) to 1.4% in 2008 (as compared to 2003). About 62% of Montenegrin citizens lives in urban areas, while the remaining approximately 240,000 lives in other areas (rural, etc.).

*Graph 1: Population in Montenegro (1991-2008)*

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>305745</td>
<td>306428</td>
<td>306839</td>
<td>307271</td>
<td>308353</td>
<td>309787</td>
</tr>
<tr>
<td>Women</td>
<td>314534</td>
<td>315690</td>
<td>316439</td>
<td>316970</td>
<td>317836</td>
<td>319018</td>
</tr>
</tbody>
</table>

Source: MONSTAT

² The last Census was conducted in 2003 when Montenegro was the part of the Union Serbia and Montenegro. The next one (the first Census of the independent Montenegro) is intended to be held in the following 2011.
Assessment of the labour market in Montenegro

The share of citizens aged over 65 in total population increased from 8.2% in 1991 to 12% and 12.9% in 2003 and 2008, respectively. In 2008, dependency ratio was 47.9.\(^3\) Similarly, aging ratio has been increasing since 2003, reaching the value of 36.5 in 2008.\(^4\) On the other side, the share of the population between 0 and 14 years decreased from 25.3% in 1991 to 20.9% and 19.4% in 2003 and 2008, respectively.

*Graph 2: Population by age group (2003 vs. 2008)*

With the small overall increase during the period 2001–2008, the share of age group between 15 and 64 (a base for economically active population) in total Montenegrin population is almost the same every year, about 67% (Table 2). The trend of growth is the highest amongst population aged 45-54 year. The population in the oldest age cohort among the working age population (55-64) was completely stable over the period 2001-2008, at the level of about 57700 individuals. There is a decrease in the youngest age group, 15–24, throughout the period, which is likely caused by decreased fertility. In addition to that, the sharpest decrease in the observed period is recorded in the age group 25-34. Finally, the age group 35-44 recorded certain constant increase. All these demographic patterns lead to the conclusion that Montenegro is the country with aging population.

*Table 2: Population in Montenegro aged 15-64 (working age population)*

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-64</td>
<td>413136</td>
<td>414305</td>
<td>416701</td>
<td>418722</td>
<td>420902</td>
<td>423257</td>
<td>425778</td>
<td>428495</td>
</tr>
<tr>
<td>15-24</td>
<td>99461</td>
<td>99343</td>
<td>99232</td>
<td>99122</td>
<td>99013</td>
<td>98905</td>
<td>98795</td>
<td>98691</td>
</tr>
</tbody>
</table>

\(^3\) This indicator shows the standardized ratio between the economically active population and the economically inactive population (citizens between 0 and 14 years and those of 65 years and older).

\(^4\) This ratio compares the number of old civilians and active civilians.
Assessment of the labour market in Montenegro

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-34</td>
<td>8841</td>
<td>88043</td>
<td>87295</td>
<td>86537</td>
<td>85785</td>
<td>85045</td>
<td>84310</td>
<td>83587</td>
</tr>
<tr>
<td>35-44</td>
<td>86172</td>
<td>86363</td>
<td>86654</td>
<td>86914</td>
<td>87186</td>
<td>87474</td>
<td>87772</td>
<td>88085</td>
</tr>
<tr>
<td>45-54</td>
<td>80697</td>
<td>82698</td>
<td>85697</td>
<td>88376</td>
<td>91185</td>
<td>94125</td>
<td>97208</td>
<td>100442</td>
</tr>
<tr>
<td>55-64</td>
<td>57965</td>
<td>57858</td>
<td>57823</td>
<td>57773</td>
<td>57733</td>
<td>57708</td>
<td>57693</td>
<td>57690</td>
</tr>
</tbody>
</table>

Source: MONSTAT

Educational structure of population aged over 15, according to 2003 Census, is significantly more favourable than in 1991. The share of population without degree decreased from 25.2% to 13.9%, while the share of those with post-secondary and tertiary education completed increased from 8.9% to 12.6%. Although, the share of the illiterate among population aged over 10 decreased from 9.4% to 2.5%, this is a very high value for this indicator.

Average age of Montenegrin population has been increasing over the years and in 2003 and 2008 average age was at the level of 35.9 and 36.93, respectively (average age of women and men in 2008 was 38,08 and 35,74, respectively). This indicator shows that population of Montenegro is older from year to year.

Graph 3: Average age of population

Source: MONSTAT, ISPP calculations

Natural population change from 2003 to 2008 was positive, but rather small and declining each year, with the bottom reached in 2005. Following that year, natural population change has recorded rising trend. In 2003, the natural change was 2640, while in 2005 it was 1513, which is only 57.3% of the 2003 level. In 2008, the natural population change was 2550, which is 63.1% higher with respect to 2006 level, but still lower than 2003 level. Overall, natural population change rate decreased from 6,2 in 2000 at the level of 4,3 and 4,1 in 2003 and 2008, respectively. The following graph shows the natural population change per 1000 persons.
Assessment of the labour market in Montenegro

Graph 4: Natural population change per 1000 persons

Source: MONSTAT, Statistical yearbook 2009

Bearing in mind above stated movements in Montenegrin demographic system, it is likely that demographic developments will continue to exert pressure on the labour market in the years to come, due to the increased duration of life of Montenegrin citizens and the falling fertility rate.

2.1.1 Migration patterns

According to the 2003 Census, about 55,000 or 8,9% of Montenegrins live or work abroad, which is an increase comparing to 1991 (4%). However, these movements are logical bearing in mind poor economic conditions, wars in surroundings and total devastation of each sphere of life in the country during 90-ies of XX century. Montenegro also received a large proportion of refugees and internally displaced persons (IDPs) resulting from the conflicts in the region. Although the numbers were several times higher in the early 1990s, in 2008 there were about 8,529 refugees from Federation of Bosnia and Herzegovina and Croatia and 16,210 IDPs from Kosovo under UNSCR 1244/1999 living in the country.5

Finally, during the recent years, Montenegro has received seasonal migrants from neighbouring countries, such as Serbia, Former Yugoslav Republic of Macedonia (FYRM), Federation of Bosnia and Herzegovina and Kosovo under UNSCR 1244/1999. They are mainly engaged as additional labour force during tourism season in branches such as tourism and construction.

2.1.1.1 Internal migration

In the last two decades, internal migrations have intensified from the northern part of the country to the capital Podgorica and the south region. This means that almost all municipalities in the north of Montenegro (12 of them) have seen reduction of the

5 Source: Report in Montenegro from the refugees perspective, UNHCR, 2009
number of citizens, while the opposite has occurred in Podgorica and the coastal region. Accordingly, in 2009 the share of inactive population is the highest in the northern part of the country (34.2%), while in Podgorica and especially in the south region is significantly lower, 24.4% and 23.8%, respectively. Podgorica is capital and administrative centre of Montenegro with growing number of citizens over years. The south region is also developed with increasing opportunities for quality life. On the other side, the northern part of Montenegro is mainly oriented towards industrial sector, (textile, leather, wood processing, etc.) with many closed factories that have pushed people to migrate to the more service oriented towns in the central and south region. With the closing of these enterprises, local workforce was forced to seek a new way of financing its existence. Some of them went into agriculture, while significant part left the region by migrating to the central and south part of the country, changing, thus, demographic picture of the country. All this reveals the fact that the labour market in the north of Montenegro is underdeveloped and that special attention has to be placed upon its development.

At the moment, in Montenegro around 62% of the population lives in urban communities. Namely, between the last two Censuses (1991 and 2003), the urban population increased from 358.175 to 383.808, or from 58.2% to 61.9% of the total population. The situation is worsened by the fact that many schools in the rural parts of Montenegro are closed due to the low number of students. Naturally, these movements have put pressure upon labour markets in urban areas.

Additionally, labour force in Montenegro is lacking mobility, despite relatively small distance between towns. The trend of mobility of labour force is poor, due to the geographic obstacles, mismatch between low wages and living costs and especially bad working conditions. The poor labour mobility (due to the small size of the country) refers to the situation when one individual works and lives in the same place and not to the trend of internal migrations that relates to the movement of permanent residence of one person from the place of birth/place of the previous residence, to the other town. In other words, there are examples of unemployed persons in Montenegro that rather prefer being unemployed than travelling to the other town for the purpose of job. Differently, those who have internally migrated once they settle at the other place also remain there permanently or in the long run. The more information on this issue (in terms of exact figures is given on the below footnote no. 7). During the course of tourism season, mobility of labour force is somewhat higher towards the coast of the country, which, in turn, leads to the

---

6 Due to the bad infrastructure on the north of Montenegro, agriculture activities gave unsatisfactory results. During the recent years, the additional efforts have been made in order to assist development of the north. One of the bright examples on the north, in terms of its development, is the municipality of Bijelo Polje (the third largest municipality in Montenegro).

7 The most recent LFS data for 2009 are speaking in favour of this finding. Namely, in 2009, out of the total number of employed persons in Montenegro, 93% was working in the same municipality where the household is located, almost 6% of them works in another municipality of Montenegro, while the rest of 1,6% works abroad.
increased overall employment. Due to all this, ways of addressing low level of labour mobility must be examined and these municipalities have to be revived. In doing so, geographical constraints have to be mitigated, development of infrastructure underpinned, the new programs created, living and working conditions for local population made much easier, all this with the view to keep them not migrating to the other parts of country.

2.1.2 Poverty and social exclusion

Over the last 15 years, Montenegro, as all other countries in transition, has been faced with the growing inequalities in standards of living. The Poverty Reduction Strategy Paper for Montenegro (program aimed at combating the consequences of poverty in different social segments) provides a snapshot of poverty in Montenegro. According to this Document, 1/3 of the overall population is classified as vulnerable pointing to the need of targeting the least developed northern region of Montenegro, IDPs, refugees and the RAE (Roma, Ashkaelia and Egyptians).

According to the most recent data, in 2008 out of the total population in Montenegro, 10.8% was living below the poverty line. Comparing with 2003 data when the poverty rate was 12.2%, it is clear that Montenegro is showing progress. On the other side, the poverty level in Montenegro is estimated in the interval 8.4%-13.1% out of the total population. The biggest share of population which is living below poverty line is from north region (19.2%), followed by those from the central region (6.7%), while the lowest percentage of population that is living below poverty line is from south region (5.5%). According to this analysis, and taking into account population which is economically vulnerable and poor in Montenegro, 28% of population is economically vulnerable and live below the poverty line. In the north region 44.4% is economically vulnerable and poor, while the same rate for Podgorica is 23.3%.

---

8 National Human Development Report 2009, Montenegro: Society for all, UNDP, ISSP
Assessment of the labour market in Montenegro

**Graph 5: Poverty rate by population groups**

- General population: 10.8%
- Social welfare: 30.0%
- Long-term unemployed: 12.3%
- Pensioners: 15.7%
- RAE: 36.0%
- Person with disabilities: 11.9%
- Displaced persons: 34.0%


The biggest poverty rate is among RAE (36%) and displaced persons (34%). Also, 15.7% of pensioners, 11.9% of person with disabilities and 12.3% of long-term unemployed persons, have been living below poverty line.

Poverty threshold value in Montenegro in 2008 was €162. This is a small improvement comparing with past years but this value is still low. Differences in life standard and satisfaction with life are shown especially with respect to the regions of Montenegro. The worst situation is in north region were 62% of the total number of people in poverty in Montenegro lives.

In 2008, *GINI coefficient*, or the measure for inequality, was 0.35, which is an increase as compared to 2004 when it was at the level of 0.29. The inequality is the result of huge improvement in south and central region and small development in north region of Montenegro. Also decile ratio 90/10 which presents the ratio of the average consumption of the richest 10% of the population divided by the average consumption of the poorest 10%, shows that Montenegro has very high inequality 9.8 (the value of this indicator in 2004 was 6.0).

Social exclusion is concentrated among certain vulnerable groups of the population, especially among RAE population (14.1%) and social welfare recipients (11.9%). Social exclusion of long term unemployed persons was 10% and the lowest rate was among people with disabilities 5%. The following graph shows social exclusions for different vulnerable groups.
Assessment of the labour market in Montenegro

**Graph 6: Social exclusion by different vulnerable groups**

In 2008, Institute for Strategic Studies and Prognoses (ISSP) calculated *Laeken indicators*, for the first time for Montenegro. According to these indicators, groups that are the most at risk of poverty are children, older people and females. Related to these indicators, 25% of young people and 27.3% of older people have average income lower than 60% of average national income.

On the other side, regarding exclusion indicators, in 2008 severe exclusion was 1.3. As far as the structure of this indicator is concerned, 8.3% of persons in Montenegro are deprived of employment, while 8.6% have insecure employment. Out of the total number of persons, 26.1% of them from the north region have low income. It is obvious that the low income is the biggest problem related to poverty in Montenegro. Also, all indicators for the north region are worse than for central and south region, except insecure employment which is the lowest in south region.

**Graph 7: Indicators of exclusion by region**


Assessment of the labour market in Montenegro

In 2008, the value of human development index (HDI) was 0,828. According to this, Montenegro belongs to the group of countries with high level of HDI.

Displaced persons have no rights to formal employment, which forces these people to accept unregistered jobs. Under the current legislation, displaced persons are also unable to start their own companies, since in practice they cannot meet all the necessary requirements. While only 12% of RAE displaced persons from Kosovo under UNSCR 1244/1999 are employed, 80% of the non-RAE displaced persons from Kosovo under UNSCR 1244/1999 and 63.3% of the displaced persons from Croatia and BIH are employed.

All these indicators show that in Montenegro inequality exists and that poverty is a problem. This is especially related to the vulnerable groups in Montenegrin society. Although Montenegro has done a lot to satisfy and improve life of all citizens, there is a huge area for further development. Some of future actions might be the following:

- Establishment of clear goals for future actions of decreasing poverty and social exclusion;
- Improvement of promotion of social inclusion (better informing all citizens what social inclusion means and taking opinion from citizens on what they want and what they need regarding the better inclusion into the society);
- Improvement of gender equality and position of women (especially in business sector);
- Creation of programs for improvement of situation of vulnerable groups (especially long term unemployed persons);
- Special attention should be placed upon the inclusion of RAE population and displaced persons in the society. This is of importance for labour market due to the fact that only the small share of these groups is involved in labour market in Montenegro.

The attention has to be paid to the vulnerable groups, among which are disabled persons, refugees and displaced persons, as well as Roma, Ashkaelia and Egyptians which make the majority of vulnerable groups. The other documents, complementary with the Poverty Reduction and Social Exclusion Strategy, are also of importance for fighting poverty, and those are: the National Strategy for a permanent solution of the refugees and internally displaced persons problem, the National Action Plan for “The Decade of Roma Inclusion 2005-2015”, the Strategy for improving the position of displaced persons, and other programs which should quality improve the position of the vulnerable population and contribute to the social inclusion. The reform package, and especially: the Social and Child Protection Development Strategy, the Integration of Disabled Persons Strategy,
Assessment of the labour market in Montenegro

and the Protection of Foreign Nationals in Montenegro Strategy are of great importance for poverty reduction, equal opportunities promotion, and social cohesion strengthening, in line with the European social model.

2.2 Labour force participation

In Montenegro, according to the ILO definition, the economically active population are all persons of either gender who furnish the supply of labour for the production of economic goods and services\(^9\), during a specified time-reference period. This means that persons are considered as economically active if and only if they contribute or are available to contribute to the production of goods and services falling within the SNA production boundary. Minimum age limits for the economically active population is legally determined by the compulsory schooling, e.g. minimum age is set as age at which the children finish they elementary schools. In Montenegro, all children are obliged to attain primary school until they reach the age of 15, so the minimum age limit of active population in Montenegro is set at 15 years of age. Although the international guidelines do not refer to maximum age limit, in Montenegro upper age limit of economically active population is defined by the age limit for retirement, i.e. 65 years of age.

The currently active population or the labour force is the most widely used measure of the economically active population. It comprises all persons above specified minimum age who, during a specified brief period of one day or one week, fulfil the requirements for inclusion among the employed or unemployed. Being based on the short term reference period, it is used for measuring the current employment and unemployment situation of the Montenegrin economy. Measurement of currently active population is based on the following labour force framework:

- **Employed** - persons aged 15 and above who are engaged in the economic activity and perform an occupation;
- **Unemployed** - persons aged 15 and above seeking for employment or are available for such an activity;
- **Not in the labour force (or not currently active)** - persons aged 15 and above which temporarily stopped to perform an occupation, due to the military service (active persons not performing an occupation).

The first two categories make up the currently active population (labour force).

In Montenegro, according to the Census from 2003, the labour force or currently active population aged 15 and above amounted to 264,276, while in Q2-2010, according to the Labour Force Survey (LFR) conducted by Statistical Office of

---

\(^9\) As defined by the System of National Accounts (SNA), 1993.
Assessment of the labour market in Montenegro

Montserrat (MONSTAT), it reached the level of 252,300. In the same year, the number of inactive persons of working age was at the level of 267,600.

Table 3: The labour force in Montenegro (15+)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>264276</td>
<td>259092</td>
<td>256569</td>
<td>253184</td>
<td>263700</td>
<td>266700</td>
<td>264000</td>
<td>252300</td>
</tr>
<tr>
<td>Man</td>
<td>152107</td>
<td>147523</td>
<td>143060</td>
<td>141488</td>
<td>147700</td>
<td>150800</td>
<td>149000</td>
<td>143500</td>
</tr>
<tr>
<td>Women</td>
<td>112169</td>
<td>111569</td>
<td>113509</td>
<td>111696</td>
<td>115000</td>
<td>115900</td>
<td>115000</td>
<td>108800</td>
</tr>
</tbody>
</table>

Source: For 2003 - Census, for period 2004 – 2010(Q2) – Labour Force Survey (LFS), MONSTAT

As already shown above, contrary to the working-age population, the labour force has not followed certain fluctuations over the observed period. Namely, since the last Census until the second quarter of 2010 there were no significant changes with respect to both the number and structure of the labour force in Montenegro. As can be seen in the table 3, when it comes to the labour force by gender, the trend is more oriented towards men. However, there were more men active in 2003 than in 2009, while for the women the picture has been reversed until 2009; there were fewer women active as compared to 2003. However, in Q2-2010, the lower number of women were active as compared to the previous period. Since the gender gap is wide, the special emphasis in the coming years must be placed on attracting women to the labour market.

According to the LFS for Q2-2010, majority of Montenegrin labour force finished secondary vocational education (about 51,4%), followed by tertiary education (19.9%) and vocational education after primary school (13%).

2.2.1 Labour force participation rate

The labour force participation rate or activity rate is a percentage of active persons in the total population aged 15 and above, or, alternatively in the total population between 15 and 64 (working age population). The labour force participation rate indicates the relative size of the labour supply (especially when observing working age population). This rate has been fluctuating slightly over time. According to 2003 Census, activity rate was 53.9%, which is an increase as compared to 1991 when among Montenegrin population aged 15 and above, 51.6% was active. However, since that year activity rate has been declining constantly. Relevant to this, in Q2-2010 average activity rate in Montenegro was 48.5%. This rate is almost the same in the few past years, but the lowest level of activity rate was recorded in 2006 (48.9%). As far as the Montenegrin regions are concerned, in 2010 activity rate for people aged 15+ in the north region was 40.9%, in the central region 54.4% and in the south region 47%. Activity rate in the capital of Podgorica was at the level of 56.3%. The labour force participation rate in Montenegro, as compared to other countries, is at an average level.

Table 4: Labour force participation rate (2003-2010(Q2))
Assessment of the labour market in Montenegro

The same trend is observed regarding the activity rate for the age group 15-64, with the exception for this rate being by about 10 percentage points higher as compared to the activity rate for the population aged 15 and above. In addition to that, current activity rate in Montenegro is quite low by EU standards (an EU average of 70.9% in 2008), but roughly in line with regional standards (in Serbia, for instance, the activity rate is about 55% and in Croatia it is around 63.1%).

2.2.2 Labour force participation rate by age

The breakdown of labour force participation rate by age gives a profile of the distribution of the economically active population within Montenegro. The lowest activity rate is among population aged between 15 and 24 (35% on average) and among population aged between 55 and 64 (33% on average).

Activity rates for 15 to 24-year-olds are displaying declining trend from 43.8 in 2003 to 24.7 in 2009. This partly reflects an increase of interest among young Montenegrins to get higher education.

There was a continuous drop in labour force participation rates for the oldest age group (55–64), from 36,4 in 2003 to 24,7 in 2007. This reflects the increasing pace of the privatisation process and the use of early retirement measures. However, during the last two years, this rate significantly increased and reached the level of 37,8 and 39,6 in 2008 and 2009, respectively. This is mainly due to the fact that pensions are low and not sufficient to cover all needs of pensioners, so they are forced to supplement it from additional sources of revenues.

The activity rate for prime-age workers (25-49 years of age) is considerably higher than for the population average, 78% as compared to 48% or 60% (for working age population). Also, as can be seen from the table 5, labour force participation is already dwindling at the age of 49.

<table>
<thead>
<tr>
<th>Year</th>
<th>15+</th>
<th>15-24</th>
<th>25-34</th>
<th>35-54</th>
<th>45-54</th>
<th>55-64</th>
<th>65+</th>
<th>15-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>53,9</td>
<td>43,8</td>
<td>75,3</td>
<td>83,7</td>
<td>71,7</td>
<td>36,4</td>
<td>n.a</td>
<td>64,7</td>
</tr>
<tr>
<td>2004</td>
<td>51,7</td>
<td>35,0</td>
<td>77,3</td>
<td>76,9</td>
<td>n.a</td>
<td>33,2</td>
<td>n.a</td>
<td>60,1</td>
</tr>
<tr>
<td>2005</td>
<td>49,9</td>
<td>32,6</td>
<td>74,4</td>
<td>76,0</td>
<td>76,8</td>
<td>31,4</td>
<td>3,0</td>
<td>58,9</td>
</tr>
<tr>
<td>2006</td>
<td>48,9</td>
<td>35,0</td>
<td>75,5</td>
<td>75,7</td>
<td>75,8</td>
<td>29,1</td>
<td>2,0</td>
<td>58,4</td>
</tr>
</tbody>
</table>

Table 5: Labour force participation rates by age (2003-2010(Q2))
Assessment of the labour market in Montenegro

<table>
<thead>
<tr>
<th>Year</th>
<th>Activity Rate</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>51,1</td>
<td>28,9</td>
</tr>
<tr>
<td>2010</td>
<td>48,5</td>
<td>24,7</td>
</tr>
</tbody>
</table>

The activity rate is the highest among population with the second stage of tertiary education, bachelors', masters or PhD degrees (82.7% in 2009). Activity rate is also high among population with secondary vocational education (64% in 2009). On the other hand, the activity rate is low among persons without formal education (10%). The activity rate among those who have completed primary school is 24%.

2.2.3 Labour force participation rate by gender

The most striking disparity concerning the activity rate is the gender one, since it is obvious that there are more males in active population in Montenegro. Activity rate in Q2-2010 for men at the level of 56.8% and only 40.7% for women shows very important differences. Activity rate among females in south region was 39.9%, in north region 32.7% and in central region 46.3%. On the positive side, time series suggest that gender gap has narrowed since 2003. Judging from the labour force participation rates, it must have primarily been raised awareness of Montenegrin women about importance of personal involvement on the labour market that contributed to this movement.

In Q2-2010, according to the LFS, the highest activity rate was among females with tertiary education (84%), followed by those with vocational education after primary school (55%).

Graph 8: Activity rate in Montenegro by gender

The analysis of the activity rate of population between 15 and 64 years shows that the activity rate among males in Montenegro is 68.4% and 52.4% for females.
2.2.4. Inactive population

Inactive population comprises all persons aged 15 and above which are not classified as active population, that is those who does not work or search for job (not in the labour force). These are the following: retired people, school and university students, housewives and other supported persons and persons unable to work. Inactivity rate is the percentage of non-active population in the total population aged 15 and above. When added together, the inactivity rate and labour force participation rate equal 100%. According to 2003 Census, this rate amounted to 46.1%. According to LFS, labour inactivity rate amounted to 48.9% in 2009 and 51.5% in Q2-2010 (Table 6).

Table 6: Inactive population (15-64) 2003 – 2010(Q2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Inactive population</th>
<th>Inactivity rate</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>236129</td>
<td>46.1</td>
<td>36.3</td>
<td>55.5</td>
</tr>
<tr>
<td>2004</td>
<td>242266</td>
<td>48.3</td>
<td>39.5</td>
<td>58.1</td>
</tr>
<tr>
<td>2005</td>
<td>257596</td>
<td>50.1</td>
<td>50.1</td>
<td>57.1</td>
</tr>
<tr>
<td>2006</td>
<td>264125</td>
<td>51.1</td>
<td>51.1</td>
<td>59.0</td>
</tr>
<tr>
<td>2007</td>
<td>245900</td>
<td>48.2</td>
<td>42.2</td>
<td>56.1</td>
</tr>
<tr>
<td>2008</td>
<td>246700</td>
<td>48.1</td>
<td>40.0</td>
<td>56.1</td>
</tr>
<tr>
<td>2009</td>
<td>252200</td>
<td>48.9</td>
<td>40.1</td>
<td>56.1</td>
</tr>
<tr>
<td>2010</td>
<td>267600</td>
<td>51.5</td>
<td>40.7</td>
<td>59.1</td>
</tr>
</tbody>
</table>

Source: MONSTAT, ISSP calculations

In Q2-2010 about 40.1% of the inactive were pensioners, 26.9% were students and 13.2% were inactive for personal or family reasons, while 11.9% were inactive for “other” reasons. More women (59.2%) are inactive than men (40.8%). This leads to conclusion that women choose to be inactive rather than unemployed. As expected, reasons for inactivity are different among males and females population. For example, among inactive females 3.9% is inactive due to the fact they are taking care about children or incapacitated adults, while among males this percentage is 0.4%.

The largest share in inactive population has the age group 15-24 (27.4%), followed by the group 50-64 (22.5%). Majority of inactive population lives in central region (40.6%), while 25.2% lives in the south region. The remaining 1/3 is situated in the north of Montenegro.

2.3 Employment trends

According to the Labour Law (Official Gazette RoM, No. 49/08, 26/2009), article 15 (paragraph 1, break 2), employee is a physical person that works for the employer and has the rights and responsibilities from employment based on the labor contract. “National Employment Strategy 2007-2010” (page 15) by EAM stipulates that in Montenegro, employed person is the person employed on a basis of indefinite employment contract or a person employed full time on fixed-term basis, while other
Assessment of the labour market in Montenegro

types of work and employment are not covered with the official records. However, there are also some persons who can not be considered as employed, although they earn for living. They are the following:

- Persons who are employed, on a short or long term basis, in grey economy and are not included in official records on the number of employed. They are registered at the EAM records for the purpose of health insurance.
- Agriculture workers who do not receive social insurance, while fully or partly providing for life by performing this activity. They are registered at the EAM records for the purpose of health insurance.
- Atypical contractual forms (part-time work, home-based work, house aid, weekend work, self-employment, etc.).
- Certain students who otherwise would neither accept an offered job nor seek one, and who cannot be considered as a part of the population ready to work.

In Montenegro, macroeconomic stabilisation and economic recovery at the beginning of the XXI century have not been accompanied by employment growth. Since 2000 Montenegro has been experiencing the so called "joblessness growth", due to the first wave of privatisation in 2001 and the contraction of public employment in 2003 (reform of public administration). Hence, until 2003 the employment rate did not change much overall.

---

10 International Labour Organization (ILO) defines employed person as each person who in a specific period performed a certain activity and gained/earned certain remuneration in money or in kind.
11 In accordance with the Labour Law, Labour Contract might be, inter alia, concluded for a part time work, but not shorter than one fourth (10 hours) of the full working hours. Jobs for which a labor contract with part-time working hours is concluded shall be stipulated by the act on systematization, depending on the nature of tasks and organization of work. Related to this, although defined in the National Strategy for Employment for period 2007-2010 and the official register by EAM as not falling in the definition of the overall employment, part time employed persons have to be considered as employed. This conclusion is supported by the fact that also MONSTAT within LFS defines employee as a person who perform any work for wage or profit during the reference week, even for as little as one hour. That is the reason why according to the official/regular records, number of employed is "underestimated". Namely, data obtained through LFS contradict the data from regular/official records. Finally, this is one of many concrete reasons why statistical basis on Montenegrin labour market has to be consolidated.
Assessment of the labour market in Montenegro

Table 7: Number of registered employed persons in Montenegro in period 2000-2010(Q2)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL, (annual average)</td>
<td>140762</td>
<td>141112</td>
<td>140778</td>
<td>142679</td>
<td>143479</td>
</tr>
<tr>
<td>Employment growth, %, (y on y)</td>
<td>-</td>
<td>0,2</td>
<td>-0,2</td>
<td>1,4</td>
<td>0,6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL, (annual average)</td>
<td>144340</td>
<td>150800</td>
<td>156408</td>
<td>166221</td>
<td>174152</td>
<td>171263</td>
</tr>
<tr>
<td>Employment growth, %, (y on y)</td>
<td>0,6</td>
<td>4,5</td>
<td>3,7</td>
<td>6,3</td>
<td>4,8</td>
<td>-1,66</td>
</tr>
</tbody>
</table>

Source: MONSTAT, Statistical Bulletin 2000-2010(Q2)

Note: Total number of employed includes employed persons in all sectors of ownership included: enterprises, institutions and organizations and self-employed persons and their subcontractors

Since 2003 employment has started to recover and to record positive annual growth rates, following the high GDP growth rates in the country. In 2006 employment increased by 4.5%, while the growth rate of employment in 2005 was 3.7%. Consequently, in 2009 it reached its maximum in the last 10 year with the total number of 174152 employed or 66% of the total active population. At the same time, this was a growth of 23.7% and 4.8% comparing to the end of 2000 and 2008, respectively. According to the Montenegrin National Employment Strategy (2007), the projected employment rate growth by 2010 is 2.5% - 3% per year. Actual data show that the real employment growth rate was significantly higher compared to this projection, pointing to the strong positive movements occurring on the Montenegrin labour market over the last medium term.

Depending on the source of data, employment data in Montenegro differs. For example, in 2009 employment in Montenegro ranged from 174152 (registered employment) to 213600 (MONSTAT Labour Force Survey). EAM estimates indicate that the number of employed persons in 2009 was close to 210000.

---

12 According to the LFS for 2009, out of the total active population aged above 15, 213600 (81%) were employed, while 50400 (19%) were unemployed. The remaining 252.7 individuals aged above 15 were inactive, that is did not work and or search for the job.
Assessment of the labour market in Montenegro

According to the LFS for 2009 carried out by MONSTAT, out of the total number of employed, 82.3% of them are employees (almost all of them or 95% signed contract with employer), followed by 16.3% of self-employed persons, while the 13 The term employees in the survey refer to persons who perform any work for wage or profit during the reference week, even for as little as one hour. Pay includes cash payments or "payment in kind" (payment in goods or services rather than money), disregarding whether the payment was received in the week the work was done or not. Persons who receive wages for on-the-job training (apprentices or trainees) are also considered as employees.

14 Self-employed persons with a business, farm or professional practice are considered to be working if one of the following applies:
(i) A person works in his own business, professional practice or farm for the purpose of earning a profit; even if the enterprise is failing to make a profit;
(ii) A person spends time on the operation of a business, professional practice or farm even if no sales were made, no professional services were rendered, or nothing was actually produced (for example, a farmer who engages in farm maintenance activities; an architect who spends time waiting for clients in his/her office; a fisherman who repairs his boat or nets for future operations; a person who attends a convention or seminar).
(iii) A person is in process of setting up a business, farm or professional practice, such as the buying or installing of equipment, renting the office or ordering of supplies in preparation for opening a new business.
(iv) A person who works on its own agriculture farm should be considered as employed if worked during the reference week.
(v) A person who works on its own small agriculture farm and sells own products is also considered as employee.
(vi) A person who was not working but had a job or business from which he/she was absent during the reference week is considered as employee.

Box 1. Explanation of the different labour market statistics in Montenegro

There are several sources of labour market data in Montenegro. The first source is the official statistics, published by the MONSTAT which includes the data on registered employment as well as Labour Force Survey (LFS) data from 2004 to date. The second source of labour market statistics is data published by EAM, which provides number of registered unemployed persons, as well as estimation of unemployment rate. Also, the Institute for Strategic Studies and Prognoses has its own estimation of employment and unemployment, which are often used in official documents.

Each source of labour market data can have certain limitations. In the case of Montenegro, the LFS may overestimate unemployment due to the share of seasonal and atypical work – not fully captured by the current LFS methodology, while the EAM data may underestimate unemployment, as not all individuals looking for a job necessarily register with the employment service. The LFS in Montenegro only counts regular part-time and full-time employed as employed. People with irregular work, such as day labourers or workers with short-term contracts, are not counted as employed. Irregular work overlaps with, but is not identical to, the informal economy. As from 2004, LFS harmonised with ILO and EUROSTAT methodology.

LFS allow joint measurement of the employed, unemployed and economically inactive. If designed to cover all branches of economic activity and all categories of workers (including own-account workers, unpaid contributing family members and persons engaged in casual work), LFS has the
Assessment of the labour market in Montenegro

rest of 1.4% are family workers. This is typical situation as in developed economies showing a lower share of self employed and unpaid family workers. While 20.6% of all employed men are self-employed, only 9.6% of females have that status in employment. About 82.1% of estimated number of employed in 2009 that have employment contract signed permanent contract. The remaining 17.9% are in possession of fixed term contract. Gender distribution is almost equal in this respect.

Table 8: Number of employed persons (2003-2010(Q2))

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>171325</td>
<td>187333</td>
<td>178817</td>
<td>178364</td>
<td>212700</td>
<td>221900</td>
<td>213600</td>
<td>202300</td>
</tr>
</tbody>
</table>

Source: LFS, MONSTAT

Rapid growth in the number of registered employed persons in Montenegro since 2003 is the result, among other things, of the reduction in the tax burden on work, which has spurred a bid on the Montenegrin labour market. In turn, this has magnified the inflow of foreign and domestic investments leading to the transmission of the informal economy into official channels. Also, the positive rates of employment growth have been assisted by the favourable macro-economic situation in Montenegro and reduced business barriers, influencing an inflow of FDI in infrastructure, as well as in the tourism and financial sector.

2.3.1 The main structural characteristics of the employment

2.3.1.1 Employment rate

Employment rate represents the percentage of persons in employment in the total population aged 15 and above. As mentioned earlier, in the few past years employment rate in Montenegro was growing at the fast pace. According to the LFS, the highest employment rate was recorded in 2008 (43.2%) and the lowest level in 2006 (34.5%). In Q2-2010 it reached the level of 38.9%, in the central region the employment rate was at the level of 43.8%, in south region at the level of 40.4%, while in the northern region amounted to 30.1%.

15 A family worker is a person who assisted the other member of the household in running family business or agricultural holding, without receiving any formal pay, and providing that they not considered themselves as employed.
Assessment of the labour market in Montenegro

Graph 9: Employment rate in Montenegro

The employment to population ratio is the proportion of an economy’s working age population that is employed. This indicator provides information on the ability of an economy to create jobs. Although a high ratio is regarded as a positive indicator, this indicator does not provide information on problems that might exist in the labour market, such as low earnings, hidden unemployment, or the existence of the shadow economy. Data for the last couple of years show that, in most economies, the value of this ratio is between 50% and 70%. Countries that have a high ratio of employed to population – over 70% - are mainly the developing countries, where employment in the shadow economy is included in the indicator, and in these countries, employment in the shadow economy is quite large and represents a significant source of employment. The ratio is considered low if it is below 35%. In Montenegro, with the employment rate for the persons aged 15 and above at the level of 41.3% and 48.8% for the working age population (15-64), this ratio is somewhat lower than usual ratio (between 50% and 70%), but it is not considered low.

2.3.1.2 Employment by gender

Transition process has also influenced changes with respect to the employment structure by gender. Out of the total number of employees, on average 58% are males, while 42% are females. Although during the last six years, the rate of growth of females participation in the overall employment was 1.3% annually, their share in the overall employment is at the lower level as compared to males. Although with
similar level of education, females have lower participation in the overall employment as compared to males.\textsuperscript{16}

**Table 9: Number of employed persons (2003-2010(Q2))**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>171325</td>
<td>187333</td>
<td>178817</td>
<td>178364</td>
<td>212700</td>
<td>221900</td>
<td>213600</td>
<td>202300</td>
</tr>
<tr>
<td>Male</td>
<td>103425</td>
<td>112637</td>
<td>105637</td>
<td>100250</td>
<td>121700</td>
<td>126800</td>
<td>122200</td>
<td>116200</td>
</tr>
<tr>
<td>Female</td>
<td>67900</td>
<td>74696</td>
<td>73180</td>
<td>78113</td>
<td>91000</td>
<td>95100</td>
<td>91400</td>
<td>86100</td>
</tr>
</tbody>
</table>

Source: LFS, MONSTAT

The employment rates are very unequal with respect to gender and the gender gap in employment is, thus, substantial. Employment rate by gender follows the same pattern as the total employment rate, as well as the activity rate. Namely, women employment rate is lower than average employment rate. In 2009, women employment rate amounted to \textbf{34.4\%}, while the total employment rate was at the level of 41.3\%. Although experiencing growth over the observed period (e.g. woman employment rate in 2005 was only 27.6\%), the female employment rate is much lower than the male employment rate. Male employment rate has increased from the level of 42.4\% in 2005 to \textbf{48.6\%} in 2009.

In 2009, according to LFS, the highest employment rate is recorded with women that are holding tertiary education degree (74\%), while, on the other side, the lowest employment rate had females with less than primary education (4.9\%).

**Graph 10: Employment rate in Montenegro (men and women)**

As far as activity of employed women is concerned, in Montenegro women almost exclusively work in services, such as hotels and restaurants, trade, etc (67.8\% of all

\textsuperscript{16} Females are in poor position to start own business since they lack enough collateral (land, real estate, etc) in order to get bank loans, due to the customs in Montenegro according to which all family inheritance goes to the male children.
women employed in 2010(Q2)). Another important branch of activity for females is education (10%), especially pre-primary education. On the negative side, it should be noted that as compared to males they have higher share in branches with lower salaries. In addition to that, a very few women are seen on the high managerial places; they are mainly employed as office clerks.

Table 10: Employment by gender and activity (Q2-2010)

<table>
<thead>
<tr>
<th>Activities</th>
<th>TOTAL</th>
<th>Women</th>
<th>Men</th>
<th>Structure in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>9200</td>
<td>3400</td>
<td>5800</td>
<td>4</td>
</tr>
<tr>
<td>Industry</td>
<td>38300</td>
<td>6200</td>
<td>32600</td>
<td>7.2</td>
</tr>
<tr>
<td>Mining and manufacturing</td>
<td>23900</td>
<td>5100</td>
<td>18800</td>
<td>5.9</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>5600</td>
<td>800</td>
<td>4800</td>
<td>0.9</td>
</tr>
<tr>
<td>Construction</td>
<td>9300</td>
<td></td>
<td>9000</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>154400</td>
<td>76500</td>
<td>77900</td>
<td>88.9</td>
</tr>
<tr>
<td>Wholesale and retail trade, repair</td>
<td>47400</td>
<td>27300</td>
<td>20100</td>
<td>31.7</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>19,1</td>
<td>10900</td>
<td>8200</td>
<td>12.6</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>18200</td>
<td>3800</td>
<td>14400</td>
<td>4.4</td>
</tr>
<tr>
<td>Financial activities</td>
<td>3600</td>
<td>2500</td>
<td>1100</td>
<td>2.8</td>
</tr>
<tr>
<td>Real estate, leasing and business act.</td>
<td>8000</td>
<td>2400</td>
<td>5600</td>
<td>2.8</td>
</tr>
<tr>
<td>Public administ. and social insurance</td>
<td>19300</td>
<td>8000</td>
<td>11300</td>
<td>9.3</td>
</tr>
<tr>
<td>Education</td>
<td>13200</td>
<td>8700</td>
<td>4600</td>
<td>10.1</td>
</tr>
<tr>
<td>Health and social work</td>
<td>12400</td>
<td>9900</td>
<td>2600</td>
<td>11.5</td>
</tr>
<tr>
<td>Other community, social &amp; personal service activities</td>
<td>13100</td>
<td>3100</td>
<td>10000</td>
<td>3.7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>202300</td>
<td>86100</td>
<td>116200</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Sources: MONSTAT, LFS for 2009

For the sake of comparison, in Q2-2010 9.3% of employed males were at the places of legislators, senior officials and managers, while the respective figure for females was lower and accounted for 4.1%.17

---

17 According to the data from the Government of Montenegro, about 70% of all high level Government positions is held by males, while remaining 30% are positions occupied by females. Currently, there is only one women who is Minister. As far as the gender structure of the Montenegrin Parliament is concerned, almost 90% of MPs are men. Also, no high level place within Parliament (President and Vice-Presidents) is occupied by women.
Table 11: Employees by gender and educational attainment, (Q2-2010)

<table>
<thead>
<tr>
<th>Educational background</th>
<th>Employees</th>
<th>Structure %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Women</td>
</tr>
<tr>
<td>TOTAL</td>
<td>25240</td>
<td>108800</td>
</tr>
<tr>
<td>Less than primary education</td>
<td>44004</td>
<td>4400</td>
</tr>
<tr>
<td>Primary education</td>
<td>18600</td>
<td>18600</td>
</tr>
<tr>
<td>Vocational education after primary school</td>
<td>32800</td>
<td>8600</td>
</tr>
<tr>
<td>Secondary general education</td>
<td>16300</td>
<td>8600</td>
</tr>
<tr>
<td>Secondary vocational education</td>
<td>12980</td>
<td>56100</td>
</tr>
<tr>
<td>Tertiary education of which</td>
<td>50300</td>
<td>24800</td>
</tr>
<tr>
<td>First stage of tertiary education</td>
<td>12000</td>
<td>5200</td>
</tr>
<tr>
<td>Second stage of tertiary education, bachelors’, masters or doctors’ degree</td>
<td>38,4</td>
<td>19,6</td>
</tr>
</tbody>
</table>

Sources: MONSTAT, LFS for 2010(Q2)

Majority of employed women (48.8%) holds secondary vocational education, while the second largest group are women with tertiary education (22.8%), of which 18% are with bachelors’, masters or doctors’ degrees.

Due to the above mentioned, it is necessary to have the efficient and on time legal protection against all kinds of violation of the gender equality on the labour market.

2.3.1.3 Employment by age

As it will be explained in the following parts of this chapter, the age structure of the employed is less favourable than that of unemployed. This is mainly explained by the low share of youth in the employment. As with activity, employment is concentrated in the prime age brackets. Workers between 25 and 49 years of age have the highest employment rate (62.3%), while only 14.3% of young people (15-24) have jobs. This is explained by the two following reasons. The first one indicates that the youngest are having the greatest difficulties finding the job. The second, as earlier explained, reflects an increase of interest among young Montenegrins to get higher education.18 In Q2-2010, the share of youth (15-24) in the overall employment reached the level of 6.9% and the oldest age group (55-64) had a higher share of 10.8%. The oldest age group (55-64) has the lowest employment rates, mainly due

---

18 This issue is explained in more details in part dealing with the Youth unemployment.
to the retirement possibilities open to people in this age range, especially after early retirement offers were made in connection with the privatisation process.

**Table 12: Employment rate by age (%) 2005 – 2010(Q2)**

<table>
<thead>
<tr>
<th></th>
<th>15+</th>
<th>15-24</th>
<th>25-34</th>
<th>35-54</th>
<th>45-54</th>
<th>55-64</th>
<th>65+</th>
<th>15-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>34.8</td>
<td>13.7</td>
<td>45.5</td>
<td>54.9</td>
<td>59.5</td>
<td>27.7</td>
<td>2.7</td>
<td>41.0</td>
</tr>
<tr>
<td>2006</td>
<td>34.5</td>
<td>14.2</td>
<td>48.9</td>
<td>56.9</td>
<td>60.1</td>
<td>23.1</td>
<td>2.0</td>
<td>41.0</td>
</tr>
<tr>
<td>2007</td>
<td>41.7</td>
<td>20.1</td>
<td>63.4</td>
<td>46.7</td>
<td>37.7</td>
<td></td>
<td>.</td>
<td>49.2</td>
</tr>
<tr>
<td>2008</td>
<td>43.2</td>
<td>23.4</td>
<td>65.3</td>
<td>46.4</td>
<td>34.2</td>
<td>3.0</td>
<td>50.8</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>41.3</td>
<td>18.6</td>
<td>63.7</td>
<td>45.3</td>
<td>35.6</td>
<td>2.3</td>
<td>48.8</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>38.9</td>
<td>14.3</td>
<td>62.3</td>
<td>41.3</td>
<td>31.6</td>
<td></td>
<td>.</td>
<td>46.1</td>
</tr>
</tbody>
</table>

*Source: MONSTAT, LFS*

**2.3.1.4 Employment structure by economic activity**

The breakdown of employment according to sectors reveals a pattern typical of countries in transition towards a service economy. Since the beginning of transition in 90s, the agricultural and industrial sectors have been declining to the benefit of the service sector. Major industries that have reduced workforce include agriculture (from 3.3% in 2001 to 1.7% in 2008\(^{19}\)), transport, storage and communications (from 10.1% in 2001 to 9% in Q2-2010) and education (from 11.5% in 2001 to 6.3% in Q2-2010). As far as manufacturing sector is concerned, from 2001, its share in total employment halved from the level of 27% to 11,8% in Q2-2010. Overall industry makes up about 19,2% (Q2-2010) of total employment; indicating once again that a shift has taken place. The public administration sector alone employs 9,5% of the employed workforce, which is almost at the level of mining and manufacturing sector (11,5% in 2009).

On the other side, employment in services sector had a share of 60% in 2001 and has increased to 72.8% in 2009. This growth of employment in services is mainly result of the development of tourism. Bearing in mind the fact that Montenegro became very attractive tourist destination, number of employees in hotel and restaurants has been growing over the last decade. In 2001, the share of employees in this sector in the total employment was 5.7%, while in 2009 it reached the level of 8,4%. Similar improvement is recorded in sector of real estate activities. In 2001, share of this sector was only 1%, while in 2009 it stood at the level of 3,2%. Additionally, the expansion of the financial sector has created jobs in the financial intermediation industry. Also, Montenegro is the country with the highest employment in a sector of wholesale and retail trade. In 2001, share of this sector in total employment was 8.9%, while at the end of 2009 it increased at the level of 21.6%.

---

\(^{19}\) According to the LFS, there was an important increase with respect to the share of employment in agricultural activities in the overall employment in 2009 as compared to the entire previous period. Namely, in 2009 the share of employment in agricultural activities reached the level of 6.5%.
Assessment of the labour market in Montenegro

According to the above explanation, it is obvious that the services sector dominates, and its share in total employment has increased over time. In 2009, less than 1/3 (around 24%) of the employed were still working in the agriculture (4.5%) and industry (19.2%), leaving the vast majority (76%) of the employed in the services sector. Geographically, most (48%) of the agricultural activity is concentrated in the north, whereas 90% of all employment in the coastal region is in services.

*Graph 11: Share of employment by sectors in total*

In Q2-2010, about 67% of males employed worked in services, followed by those who worked in industry (28%) and in agriculture (5%). As far as females are concerned, they have a higher share in services sector (88.9%) and much lower share in industry (7.2%).

Besides changes in employment by sectors, the employment structure by ownership has also changed. Share of employed in the public sector amounted to 60% in 2000, and was reduced to 40.9% in Q2-2010. On the other hand, thanks to decline in employment in socially owned enterprises, employment in the private sector as a percentage of total employment has been going up, from 41% in 2000 to 59.1% in Q2-2010. This is mainly due to the privatisation process that has gained momentum since 2001.

### 2.3.1.5 Employment structure by school attainment

Employment by educational attainment reflects the distribution of knowledge and skills in the labour force.

Qualification structure of employed, might be considered favourable since in Q2-2010 in total number of employed, share of qualified labour (secondary general and vocational education) is about 52.6%. In this way, the most numerous group of employed people in Montenegro are those with secondary education. The share of
Assessment of the labour market in Montenegro

those with primary education and vocational education after primary school is 5.9% and 9.8%, respectively. These figures suggest that the number of employed persons that have not attained secondary education is still substantial. On the other side, the share of those with tertiary education is significant and amounts to 22.6%. However, the number of employed persons with post-secondary and higher education was 26.2% in 2000, but has decreased regularly since then, which could indicate that some brain drain has been occurring during the recent past. In Montenegro, as in the most economies in the world, a greater percentage of the female labour force has attained a tertiary level of education (26.7% as compared to the 19.5% for males).

Table 13: The share of employees according to the educational attainment

<table>
<thead>
<tr>
<th>Year</th>
<th>'00</th>
<th>'01</th>
<th>'02</th>
<th>'03</th>
<th>'04</th>
<th>'05</th>
<th>'06</th>
<th>'07</th>
<th>'08</th>
<th>'09</th>
<th>'10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than primary education</td>
<td>1,3</td>
<td>0,9</td>
<td>0,9</td>
<td>0,2</td>
<td>5,1</td>
<td>3,3</td>
<td>5,2</td>
<td>2,5</td>
<td>2,7</td>
<td>1,6</td>
<td>1,8</td>
</tr>
<tr>
<td>Primary education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vocational education after primary school</td>
<td>15,0</td>
<td>16,2</td>
<td>14,3</td>
<td>13,8</td>
<td>10,1</td>
<td>9,7</td>
<td>11,5</td>
<td>9,9</td>
<td>9,6</td>
<td>9,8</td>
<td>5,9</td>
</tr>
<tr>
<td>Secondary general education</td>
<td>57,4</td>
<td>62,6</td>
<td>65,2</td>
<td>65,6</td>
<td>62,9</td>
<td>63,8</td>
<td>63,3</td>
<td>7,6</td>
<td>7,0</td>
<td>6,1</td>
<td>5,8</td>
</tr>
<tr>
<td>Secondary vocational education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tertiary education of which</td>
<td>26,2</td>
<td>20,4</td>
<td>19,5</td>
<td>20,3</td>
<td>22,0</td>
<td>23,3</td>
<td>22,8</td>
<td>21,8</td>
<td>21,3</td>
<td>20,7</td>
<td>22,6</td>
</tr>
<tr>
<td>First stage of tertiary education</td>
<td>11,2</td>
<td>7,0</td>
<td>7,4</td>
<td>7,3</td>
<td>8,5</td>
<td>8,9</td>
<td>7,8</td>
<td>6,5</td>
<td>5,7</td>
<td>5,3</td>
<td>5,1</td>
</tr>
<tr>
<td>Second stage of tertiary education, bachelors’, masters or doctors’ degree</td>
<td>15,0</td>
<td>13,4</td>
<td>12,1</td>
<td>13,0</td>
<td>13,5</td>
<td>14,4</td>
<td>15,0</td>
<td>15,3</td>
<td>15,5</td>
<td>15,5</td>
<td>17,4</td>
</tr>
</tbody>
</table>

Source: MONSTAT-Labour Force Survey
Note: Data on overall employment differ as compared to the registered employment due to the fact that this breakdown on employment according to the educational attainment was obtained from the LFSs (MONSTAT)

As far as the employment structure by occupation is concerned, the most important occupational categories are “market, sales and service workers” (24.8%), followed by “associated professionals and technicians” (16.2%), clerks (11.2%) and professionals (11.1%). Huge gender gap exists in the managerial category, with 8.7% of males being occupied as legislators, senior officials and managers and only 4.6% of females. Also, occupations such as crafts and plant workers are almost mainly males.²⁰

2.3.1.6 Employment in informal economy

²⁰ These data are for 2010, MONSTAT, LFS.
Assessment of the labour market in Montenegro

Phenomenon of informal economy characterizes all states all each time. Acceptable measure is questionable because of all negative consequences that informal economy has. One of negative effects is cutting down state expenditures and transferring the entire burden to regular entrepreneurs. Existence of informal economy derogates all rules and system’s institutions and creates parallel value system. Bad institutional framework is good ground for informal economy development. Informal economy endangers formal business because of spill-over effect from formal into informal economy due to the higher attractiveness and higher revenues.

Informal economy in Montenegro exists in various shapes among which the most common are the following:

- Tax and contributions payment evasion;
- Employment with minimal wages;
- Illegal import and distribution of excisable goods;
- Evasion of custom and excise duties;
- Hide of profit throughout false final accounts;
- Unregistered rent of business spaces, houses, apartments and etc;
- Economic activity performance by unregistered subjects;
- Real estate and vehicles turnover without owner change registration;
- Sale of transit goods within internal market;
- Sale of export oriented goods within internal market;
- Sale of goods and services for cash without evidence
- Sale of lower than declared goods;
- False declarations in order to avoid taxes
- Inaccurate turnover evidences;
- Internal loans with citizens outside of legal framework;
- Privileged and no-license constructions;

21 Informal economy growth is part of transition process. The main reason of the existence of informal economy in Montenegro was breakdown of Yugoslavia which withdrew breakdown of economic system. Therefore informal economy became “survival game”. On informal economy arise and growth in Montenegro several interconnected factors had influence:

- War surroundings for many years
- Refugees and internally displaced persons inflow and theirs working arrangements
- UN sanctions
- Increased unemployment
- Low life standard
- Lack of built legal and economic system
- Lack of measures for fight against informal economy
- Divergence of monetary and economic system of Montenegro and Serbia
- Hidden activity of import-export companies
- High taxes and contributions
- Inefficiency and lack of motivation of inspection agencies
- Rigid and old legal labour regulation
- Difficult socio economic status of citizens
- Inadequate educational system
- Business barriers
Assessment of the labour market in Montenegro

- Illegal forestry cuts

Informal economy on Montenegrin labour market is recorded in the three main following forms:

1. **employment in the informal sector**
   Employment in the informal sector implies work arrangements in the unregistered companies, or activities of self-employed individuals that do not register their activity.

2. **informal employment in formal sector** and
   The second form, informal employment in formal sector implies employment in the registered companies without registration for social security.

3. **employment in formal sector with underreported wages** (partly registered wages\(^{22}\)).
   The third form is partly registered employment, i.e. individual who or they employer pay social security contributions only on the part of income from employment, usually on the minimum amount set by the labour regulations.

In 2007, ISSP conducted survey within which it was estimated the share of informal economy in Montenegro.\(^ {23}\) In this survey, the two first forms of the informal economy are included by indicator of informal economy employment in Montenegro, i.e. 22.6% out of total number of employed persons is employed in the informal sector companies or hold an informal employment in formal sector companies (informal employees), thus, about 50.000 people are engaged as unregistered employees in formal companies or engaged in informal companies.

Majority of persons engaged in the »grey economy« are registered within EMA unemployment record due to the right to health insurance benefits. Doing this they distort the clear picture about the number of unemployed. The employers explain this phenomenon with high tax burden. On the other hand there are also employees who are faced with financial situation and are ready to work in this way, since they have higher wages due to the non-payment of contributions. In this way, in the short run, informal employment provides also additional flexibility and security for those people.

---

\(^{22}\) Social security contributions are paid on the usually minimum amount of salary as determined by the Labour Law and General Collective Agreement, while actual wage is higher.

\(^{23}\) Besides labour market data one of the sources for evaluation of informal economy is the analysis of households’ budgets. Data on consumption have been usually used during evaluation of citizen’s welfare or poorness and living standard quality because of the high share of informal economy as an incomes source. Very often surveyed individuals tend to hide incomes while consumption has been disaggregated and it is very difficult for them to re-calculate totally reported consumption and compares the same with declared incomes.
Assessment of the labour market in Montenegro

However, in the long run, non-payment of contributions lowers pension benefits, and often those individuals are also non entitled to the health insurance.\textsuperscript{24}

Out of the total number of those whose working position is employee, 14\% is engaged in the informal sector. The largest share of business owners/co-owners is doing business in formal sector, because only 13.2\% operates in the informal economy sector. 55\% of self employed persons are engaged in the informal economy, 75\% of farmers and 93\% of unpaid family workers.

As far as the third form of shadow economy – partial registration of salaries in the formal sector is concerned, out of the total number of registered employed persons, 17.5\% of them has partly registered wage. For workers engaged in the area of grey economy the net wage is higher (by around 30\%) on account of tax evasion.

According to the survey results, the largest share or 61.3\% of companies registered all of its employees. Furthermore, 16\% of companies registers only 10\% of employees, while 20\% of employees is registered in the 4.8\% companies. For registered employees, on average 57.4\% of wage is reported.

Out of total number of employees that are engaged in informal sector 60\% are males. The largest share of population engaged in informal sector is aged between 20 and 29 years – 33\%. According to the survey results, the highest share of those engaged in informal sector has completed secondary school four years (45\%), as well as those that have completed three years school (27.2\%). The smallest share in informal economy have those with PhD (0\%), and those that haven’t completed school (0.4\%) and those who have completed postgraduate studies (0.5\%).

Structure of employed in shadow economy by activity indicates that the largest share have employees in hotels and restaurants activity (19.1\%), employees in agriculture (18\%), as well as those engaged un wholesale and retail activity (15.7\%).

Results have shown that informal economy share is lower than 25\% of GDP. Basic reasons for arise and spread of this phenomenon as identified by the mentioned survey are as follows: bad economic situation, high taxes and other duties, complicated procedures and numerous codes, high transaction costs and low employment opportunities. Among those who perform an activity in the area of informal economy, majority live in urban part (54\%) while 46\% live in rural part of country. Informal economy observed by regions indicates that 30.6\% of existing informal sector is in southern part, 23.8\% in central and remaining 45.6\% in northern part of the country.

Regarding gender structure, ISSP survey showed that men are more involved in informal economy (59.6\%) than women (40.4\%). This ratio is changing during

\textsuperscript{24} However, GoM has introduced the programme with incentives in the form of exemption from payment of social security contributions for the first year of a newly registered employee and a range of sanctions for employers who do not register own employees.
Assessment of the labour market in Montenegro

tourist season when the share of women is growing. Majority of informal economy participants have high school education (63.8%), 27.2% college degree, 6.5% elementary school while 2.5% have incomplete elementary school. Beginning of tourism, construction and agriculture season means higher number of informal economy participants. Also share of less educated is growing because during those seasons increases number of lower skilled workers hiring.

According to the results 14.1% of participants in informal economy is younger than 25, 40.4% is between 26 and 40 while highest percentage of them is older than 41 (45.6%). This emphasize problem of older people employment who lost their jobs under certain circumstances and who have to think about new qualifications in order to find appropriate job within formal sector. Informal economy mostly occurs in retail (38.1%), agriculture (18.2%), catering (19.1%), construction (10.8%) and transport (9.6%).

It is very difficult to predict informal economy trends anywhere in the world and therefore in Montenegro as well. Personal incentives to get involved in informal activities aren’t measurable but conditions that might have an impact on those incentives can be identified. Key lays in measures of fight against informal economy where key measure is elimination of business barriers in order to eliminate formal reasons to stay out of formal sector. Simplification of registration, decrease of taxes and contributions, simplification of obligatory evidences management, tax stimulation for new working places, reform of social care system, comprehensive and more regular controls, severe penalties, administrations productivity increase and guarantee of property rights are among main measure that have to be taken in order to reduce informal economy and poverty. 25

2.4 Unemployment trends

Following the start of transition process and war in surroundings, situation on the Montenegrin labour market has changed significantly. Although prior to transition process unemployment in Montenegro was relatively high, in the period after 1991 unemployment has increased, following the major setback in the economic activity. However, the decrease in unemployment was not so sharp as decline in economic activity. Also, employment in the informal sector has compensated job loss in the public sector companies. In addition, growing private sector has generated new jobs. However the pace of job creation in the private sector was not as fast as job destruction in the public sector.26

25 In 2003, one of projects that gave significant results in the area of reduction of grey economy was the project entitled »Legalisation of the existing and new jobs opening«. With this project GoM provided an opportunity to all employers who have undeclared employees to register them with huge advantages. They were allowed to legalized entire previous work of these persons with much lower costs as compared to those they could have if obeyed legislation. Also, these employers were freed from any kind of sanctions.

26 According to the LFS, unemployment declined by more than 20% between 1994 and 1999.
The post-2000 period, especially last several years, saw relatively more stable conditions and trends in the labour market as well as more favourable conditions for implementation of a range of measures and activities in resolving unemployment problems. Namely, in that period the unemployment decreased rapidly and Montenegrin economy recorded enormous improvement in this area. Decrease in the unemployment during the last period is a consequence of economic resurgences and the stabilization of the Montenegrin economy, especially in period 2006-2008, paralleled in strong GDP growth rates, the reduction of inflation, huge FDI inflow, impressive investor’s interest in Montenegro, increase in savings, strong growth of service sector activities, decrease of budget deficit and running of budget surplus, etc.

In Montenegro, in accordance with the international standards, unemployed persons, are defined as persons who, during a certain (reference/observed) period, were jobless, and who are currently ready to work and actively seek employment. There are the two following groups of unemployed in Montenegro:

- The first group is consisted of individuals registered within EAM who can easier find a job. Assisted by specific treatments and programs, these individuals can relatively easy become ready to meet labour market demand. That is the reason why they can easier find a job.

- The second group is related to persons who experience difficulties in finding a job and they are the so called „people harder to employ”, although EAM assists them with different kinds of trainings or even offers extra benefits to employers ready to employ them.

According to EAM data on registered unemployment in Montenegro, the number of unemployed persons has reached its peak in 2000, when registered unemployment was 81,069. Following that period, unemployment has been constantly declining, and was halved by the end of 2006 (38,869). The most recent data of EAM show that the total number of unemployed persons in Montenegro in Q2-2010 was 31,336, indicating the declining trend in the number of unemployed persons (by about 64% as compared to 2001). When comparing 2006 with 2009, recorded reduction in unemployment was about 29%. Out of the total number of unemployed registered within EAM, about ¾ are genuinely unemployed and are actively searching for a job, while the remaining 33% are those who are working (grey economy, farmers, etc.) and are registered with the purpose of claiming health insurance or exercising other unemployment-based rights.

On the other side, MONSTAT has different data on unemployment in Montenegro (see explanation in Box 2). According to the LFS carried out by MONSTAT, the term unemployed refers to persons who: (i) in the reference week did not work (not in

27 The EAM cleared from the registers individuals who previously registered as unemployed and were not entitled to that, and this brought about the large drop in the total number of registered unemployed.
Assessment of the labour market in Montenegro

paid employment or self-employment and did not do any paid work); (ii) in the past four weeks were actively seeking work (specific steps were taken to seek paid employment or self-employment); (iii) were currently available for work (within two weeks). Persons who had found a job to start later are also included among unemployed persons. According to the LFS, in 2005 there were 77,754 unemployed. In 2010, the total number of unemployed in Montenegro was 50,000, which is by 59% higher figure as compared to the same indicator reported by EAM. That means that only 1/3 of unemployed in Montenegro are seeking new job through the assistance of EAM.

Table 14: Number of unemployed persons in Montenegro (2000-2010(Q2))

<table>
<thead>
<tr>
<th>Year</th>
<th>EAM</th>
<th>LFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>81069</td>
<td>54949</td>
</tr>
<tr>
<td>2001</td>
<td>79960</td>
<td>57536</td>
</tr>
<tr>
<td>2002</td>
<td>76293</td>
<td>57689</td>
</tr>
<tr>
<td>2003</td>
<td>68625</td>
<td>62106</td>
</tr>
<tr>
<td>2004</td>
<td>59349</td>
<td>71759</td>
</tr>
<tr>
<td>2005</td>
<td>49236</td>
<td>77754</td>
</tr>
<tr>
<td>2006</td>
<td>38869</td>
<td>74820</td>
</tr>
<tr>
<td>2007</td>
<td>31465</td>
<td>51100</td>
</tr>
<tr>
<td>2008</td>
<td>28394</td>
<td>44800</td>
</tr>
<tr>
<td>2009</td>
<td>28362</td>
<td>50400</td>
</tr>
<tr>
<td>2010</td>
<td>31336</td>
<td>50000</td>
</tr>
</tbody>
</table>

Source: EAM, MONSTAT (Labour Force Survey-LFS)
Note: The new LFS methodology of MONSTAT and its harmonization with ILO (applied since 2004) does not allow a comparison with earlier periods.

The unemployment rate is probably the most famous and the broadest indicator on the labour market. According to the EAM, unemployment rate (a percentage of the unemployed registered within EAM in the total number of active population (15 +)) has been constantly and quite rapidly decreasing: from its maximum of 32.8% (81,069 persons) in 2000, to 30.4% (2002), 26% (2003), 22.8% (2004), 19% (2005), 15.4% (2006), 11.9% (2007), 10.6% (2008), 10.7% in 2009 and 11.8% (31336) in Q2-2010. The same source indicates that during the second half of 2009, the unemployment rate started to increase, for the first time in eight years.

Box 2. Explanation of the different unemployment statistics in Montenegro

In Montenegro, data on unemployment are a subject to different methodologies employed by MONSTAT and EAM. MONSTAT uses ILO methodology and EAM takes into account unemployed persons registered within EAM.

Generally, the LFS data is more reliable than the data on registered unemployment. The new LFS methodology (applied since 2004) does not allow a comparison with earlier periods. Another problem connected to the LFS in Montenegro is that it was until recently run once a year and data were collected during one week in October. This might have lead to an underestimation of the impact of seasonal employment on overall employment. However, as of 2008, LFS is conducted four times a year, which is a great improvement. Still, the current LFS does not include any question that could help detect informal employment.

EAM has a large number of data on the registered unemployed, but this data does not cover the informal economy. Furthermore, the EAM registers some people despite not meeting the ILO unemployment criteria and they are only interested in social security, while others are not registered as unemployed despite the fact that they are searching for a job. Following 2005, EAM erased from its register individuals who had until then registered as unemployed while not entitled to do so, and this may have caused a decrease in the overall figures of people registered as unemployed comparing with the previous years.

Finally, the common drawback of both methodologies is the poor capture of the number of people working in the informal economy in Montenegro.
Contrary to the data from EAM, unemployment rate in Montenegro, according to the MONSTAT, in the period 1995-2009, reached its peak in 2003, when it was almost at the 1994 level. MONSTAT data show less pronounced trend of unemployment rate drop as compared to the EAM data. In 2005, the unemployment rate was 30.3%, in 2007 it decreased and reached its prior to transition level from 1991 (19.4%), while in 2008 it reached its minimum over the observed period (16.8%). In 2009 it recorded growth at the level of 19.1% (in Q2-2010 was at the level of 19.8%).

Despite different methodologies on the calculation of unemployment rate in Montenegro, the trend has been obvious over the last medium term, and that is its constant decline.

Montenegrin National Employment Strategy has aimed to reduce the unemployment rate to 7%-10% by 2010. However, despite the positive trend in unemployment decline over the last couple of years, 2009 has seen its increase, endangering, thus, fulfilment of this objective set by National Employment Strategy.

Graph 12: Unemployment rate in Montenegro (2004-2009)

Source: MONSTAT, EAM

2.4.1 The main structural characteristics of the unemployment

2.4.1.1 Unemployment by gender

Both male and female unemployment have been decreasing since 2000 onwards and as far as the age structure of unemployed is concerned, the common denominator for both genders is that the risk of being unemployed decreases with age. According to the LFS, female participation in the total unemployment decreased from 51.4% in 2004 to 45.4% in Q2-2010. In 2007 as compared to the previous years, there was an important reduction in the number of both unemployed women and men. The trend was more pronounced with respect to males (see table 15). Significant
reduction of female share in total unemployment can be explained by a new jobs opening in some sectors employing mainly women (trade, tourism, etc.). This is additionally supported by the fact that women are more present in training programs organized by the EAM, all with the view to get new skills and knowledge that might assist them in finding a job. Since 2005, there are constantly more males unemployed (in absolute terms) than females (based on the both sources).

Despite the fact that it is falling over the recent years, there is substantial gender gap with respect the unemployment in Montenegro. Overall, the difference in unemployment rate among genders is also partly caused by lower activity rates among females (43% among females and 59% among males). In Q2-2010, the women unemployment rate was 19%, which is about 10% lower as compared to unemployment rate for men.

In Q2-2010, according to the LFS, the highest unemployment rate of 29.8% is recorded for women that are at the vocational education after primary school degree. The lowest unemployment rate is calculated for females holding certain type of tertiary education degree.

**Table 15: Unemployed persons in Montenegro by gender (2000-2009)**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EAM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>48304</td>
<td>48445</td>
<td>46208</td>
<td>39265</td>
<td>31138</td>
<td>23522</td>
<td>17726</td>
<td>14013</td>
<td>12763</td>
<td>n.a</td>
</tr>
<tr>
<td>% u.r</td>
<td>38,7</td>
<td>42,6</td>
<td>40,3</td>
<td>35,0</td>
<td>27,9</td>
<td>20,7</td>
<td>15,9</td>
<td>12,2</td>
<td>11,0</td>
<td>n.a</td>
</tr>
<tr>
<td>Male</td>
<td>32765</td>
<td>31515</td>
<td>30085</td>
<td>29360</td>
<td>28211</td>
<td>25714</td>
<td>21143</td>
<td>17452</td>
<td>15631</td>
<td>n.a</td>
</tr>
<tr>
<td>% u.r</td>
<td>20,4</td>
<td>19,9</td>
<td>18,4</td>
<td>19,3</td>
<td>19,1</td>
<td>18,0</td>
<td>14,9</td>
<td>11,8</td>
<td>10,4</td>
<td>n.a</td>
</tr>
<tr>
<td><strong>LFS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>28804</td>
<td>26695</td>
<td>26313</td>
<td>28003</td>
<td>36873</td>
<td>40330</td>
<td>33582</td>
<td>24000</td>
<td>20800</td>
<td>23500</td>
</tr>
<tr>
<td>% u.r</td>
<td>23,1</td>
<td>23,5</td>
<td>23,0</td>
<td>24,3</td>
<td>33,0</td>
<td>35,5</td>
<td>30,1</td>
<td>20,9</td>
<td>17,9</td>
<td>20,4</td>
</tr>
<tr>
<td>Male</td>
<td>26145</td>
<td>30841</td>
<td>31376</td>
<td>34103</td>
<td>34886</td>
<td>37424</td>
<td>41238</td>
<td>27000</td>
<td>24000</td>
<td>26900</td>
</tr>
<tr>
<td>% u.r</td>
<td>16,3</td>
<td>19,5</td>
<td>19,2</td>
<td>21,5</td>
<td>23,6</td>
<td>26,2</td>
<td>29,1</td>
<td>18,1</td>
<td>15,9</td>
<td>18,0</td>
</tr>
</tbody>
</table>

*Source: EAM, MONSTAT (Labour Force Survey-LFS)*

On the other side, EAM data show that there are more males unemployed than females as of 2006, which is different as compared to the MONSTAT data. According to EAM, unemployment rate among female labour force in 2007 was 12.2% and among males 11.8%. This data reflect the fact that women are more likely to register as unemployed in order to get health insurance, while males are mainly...
unemployed without registering within EAM and are searching for new jobs in different ways.

### 2.4.1.2 Unemployment by age - youth unemployment

The age structure of unemployed has changed as well, but it is still unfavourable. The unemployment rate of youth (15-24) in 2005 was 58.1%, and was reduced to the level of 42% in Q2-2010 (57.4% of young men and 42.6% of young women). The problem of the youth unemployment rate is dominant in the overall unemployment structure, since they have the highest unemployment rate of all age groups. At the same time, they are the only age group with the unemployment rate: (i) higher than the average (19.8% in Q2-2010), and (ii) more than double those of adults (25-64) (15.49%). The very high unemployment rate of youth is a consequence of their inability to find job and not dominantly of their poor education attendance. Young people are therefore increasingly finding themselves either inactive or pushed towards the informal labour market, or forced to accept jobs with poorer working conditions. The positive thing in having the highest unemployment rate for youth lays in the fact that they are the most capable to fit into modern requirements and trends of the labour market. That is the reason why younger persons find easier and faster to get employment than elderly people. Due to this, their share in labour supply structure is declining. Finally, their share among total unemployed is about 20% (Q2-2010).

**Table 16: Unemployment rate by age (2005-2010(Q2))**

<table>
<thead>
<tr>
<th></th>
<th>15+</th>
<th>15-24</th>
<th>25-34</th>
<th>25-54</th>
<th>35-54</th>
<th>55-64</th>
<th>65+</th>
<th>15-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>30.3</td>
<td>58.1</td>
<td>38.8</td>
<td>27.8</td>
<td>22.6</td>
<td>11.8</td>
<td>-</td>
<td>30.6</td>
</tr>
<tr>
<td>2006</td>
<td>29.6</td>
<td>59.5</td>
<td>35.3</td>
<td>24.9</td>
<td>20.7</td>
<td>20.6</td>
<td>-</td>
<td>29.8</td>
</tr>
<tr>
<td>2007</td>
<td>19.4</td>
<td>38.3</td>
<td>18.8</td>
<td>10.1</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>19.4</td>
</tr>
<tr>
<td>2008</td>
<td>16.8</td>
<td>30.5</td>
<td>16.4</td>
<td>10.5</td>
<td>9.6</td>
<td>.</td>
<td>.</td>
<td>16.9</td>
</tr>
<tr>
<td>2009</td>
<td>19.1</td>
<td>35.6</td>
<td>18.9</td>
<td>12</td>
<td>10.1</td>
<td>.</td>
<td>.</td>
<td>19.2</td>
</tr>
<tr>
<td>2010</td>
<td>19.8</td>
<td>42</td>
<td>19.2</td>
<td>12.3</td>
<td>9.1</td>
<td>.</td>
<td>.</td>
<td>19.9</td>
</tr>
</tbody>
</table>

Source: MONSTAT (Labour Force Survey-LFS)

One of the reasons that spurred reduction of youth unemployment might be an increase of demand for occupations of III and IV education level (share in total demand is approximately 50%) in trade, catering and tourism. These are sectors that mainly employ young people. Additional reason can be related to the growth of fixed-term contracts that are more acceptable to younger people.

In order to fight against youth unemployment, Montenegro adopted *National Youth Action Plan (NYAP 2007-2012)*. It is a document which includes active labour market measures for young jobseekers, such as training courses, referral to seasonal jobs for graduates, public works for young persons with disabilities, traineeships with wage subsidies for graduates, self-employment scheme for RAE people and the "Job..."
Assessment of the labour market in Montenegro

for You” programme in the disadvantaged northern region. Also, it should be noted that it is difficult to attract young, highly qualified labour due to the relatively low wage levels in the public sector.

Table 17: Indicators of youth unemployment 2005 – 2010(Q2)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth unemployment rate</td>
<td>58,1</td>
<td>59,5</td>
<td>38,3</td>
<td>30,5</td>
<td>35,6</td>
<td>42</td>
</tr>
<tr>
<td>Ratio of the youth unemployment rate/adult unemployment rate</td>
<td>2,0</td>
<td>2,2</td>
<td>2,7</td>
<td>2,5</td>
<td>2,6</td>
<td>2,7</td>
</tr>
</tbody>
</table>

Source: MONSTAT (Labour Force Survey-LFS), ISSP calculations

On the other end of the age distribution, unemployment is the lowest for older workers (55-64 years of age), at 9.1% in Q2-2010 (mainly due to employment protection), and their share among the unemployed is 5.2%. This is logical since it is not expected that old people remain active once they lose their job. Unemployment rate of unemployed older than 49 years of age has increased from 10.1% in 2007 to 12.3% in Q2-2010. The very low rate of activity for this age group (51.5%) reflects the fact that early retirement has been chosen as a legal method of removing workers, who would otherwise have been unemployed over the last couple of years, from the labour market. It is extremely difficult for elderly unemployed to get employment, and that is why they tend to wait longer for employment, which in turn deteriorates the overall quality of labour supply. The lowest unemployment rate (almost 0%) is recorded in a group in age between 60 and 64, because there’s no person of these years of age that are actively looking for the job or are ready to start working. Finally, average age of unemployed in Montenegro is 32.5.

2.4.1.3 Duration of job search - long term unemployment

Long term unemployment observes the duration of unemployment, i.e. the length of time that an unemployed person has been without work and looking for a job. While the short periods in which a person is unemployed are less concerning, especially when the unemployed are covered with different unemployment insurance schemes or similar forms of support, longer periods of unemployment have many unwanted effects (primarily, the loss of income and decreased employability of a person). Short term unemployment is sometimes regarded as desirable, especially when it enables a person without a job to find optimum employment. The indicator is composed of the two different measures of long term unemployment:

(a) Long term unemployment rate – those unemployed one year or longer as a percentage of the labour force; and

(b) The incidence of long-term unemployment – those unemployed for one year or longer as a proportion of total unemployed.
Assessment of the labour market in Montenegro

According to the LFS data, in period 2004-2010(Q2), on average 81% of the unemployed were long-term unemployed. The lowest incidence of long-term unemployment was recorded in 2007 (73%), while in Q2-2010 it reached the level of 77.6%. On the other hand, EAM data show significantly different trend in long-term unemployment, with the huge reduction over the recent years. Namely, according to the EAM, the highest incidence of long-term unemployment was recorded in 2002 and since then it has been falling constantly, reaching its bottom in 2008 (55.6%).

These differences in LFS and EAM data on long term unemployment require certain explanations. Namely, as already explained in part 2.4 (Unemployment trends) as of 2005, EAM cleared from the registers individuals who previously registered as unemployed and were not entitled to that, and this brought about the large drop in the total number of registered unemployed. Also, in 2003, one of projects that gave significant results in the area of reduction of grey economy was the project entitled »Legalisation of the existing and new jobs opening«. With this project GoM provided an opportunity to all employers who have undeclared employees to register them with huge advantages (inter alia, they were freed from any kind of sanctions). Finally, different scopes of definition on unemployed persons used by LFS and EAM, lead to the different calculation of both overall unemployment and long-term unemployment (in both cases LFS figures are higher as compared to the EAM data).

Bearing in mind movements in the long term unemployed among registered unemployment, it is positive its drop over the recent period, however, on the negative side, this rate is still pretty higher as compared to EU-27 (44%). According to the EAM data, related to the gender pattern in the duration of unemployment, it turns out that about 56% of unemployed who wait for the job longer than 1 year are males, while 44% are females. On the other hand, among unemployed who wait for the job less than one year 40% are males, while 60% are females. National Employment Strategy planned a decrease of long-term unemployment down to the level of 45% by 2010, which from this point in time seems to be envisaged very optimistically.

**Table 18: Unemployed persons by job claim duration**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>MONSTAT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term</td>
<td>19,9</td>
<td>15,0</td>
<td>14,0</td>
<td>15,5</td>
<td>15,9</td>
<td>14,6</td>
<td>17,4</td>
<td>26,8</td>
<td>18</td>
<td>18,6</td>
<td>22,4</td>
</tr>
<tr>
<td>Long term</td>
<td>80,1</td>
<td>85,0</td>
<td>86,0</td>
<td>84,5</td>
<td>84,1</td>
<td>85,4</td>
<td>82,6</td>
<td>73</td>
<td>79,4</td>
<td>81,5</td>
<td>77,6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term</td>
<td>25,4</td>
<td>21,2</td>
<td>17,5</td>
<td>35,3</td>
<td>36,3</td>
<td>35,1</td>
<td>41,8</td>
<td>40,3</td>
<td>44,4</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Long term</td>
<td>74,6</td>
<td>79,9</td>
<td>82,4</td>
<td>64,7</td>
<td>63,7</td>
<td>64,9</td>
<td>58,2</td>
<td>59,7</td>
<td>55,6</td>
<td>n.a</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: MONSTAT (Labour Force Survey-LFS), EAM, ISSP calculations
Assessment of the labour market in Montenegro

The rate of the long term unemployment in Montenegro, calculated as the share of the unemployed persons waiting for the job longer than 1 year in the labour force, has been declining from the level of 12.4% in 2005 to 6% in 2008. On the other hand, the short term unemployment rate amounted to 6.7% and 5% in 2005 and 2008, respectively.\textsuperscript{28}

The duration of unemployment is concern for Montenegro, since there is a tendency for people who lose their jobs to be unemployed for a long time. Minority of those with work experience are becoming unemployed, which is an indicator of segmentation of Montenegrin labour market. The main identified reasons for the persistence of the long-term unemployment are mismatch between education and skills acquired and education and skills required\textsuperscript{29}, poor labour mobility, etc. Also, there is still a large number of persons working on grey market while being registered at the EAM for a relatively long period. The same is applied to agriculture workers for the sake of getting health insurance on the basis of unemployment.

2.4.1.4 Regional aspects of unemployment

In period 2004-2010(Q2), the lowest unemployment rate has been recorded in the south region (16.0%, i.e. around the national average), whereas the highest rate is in the central region (48.0%).\textsuperscript{30}

<table>
<thead>
<tr>
<th>Table 19: Unemployment by regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>South region</td>
</tr>
<tr>
<td>2004</td>
</tr>
<tr>
<td>2005</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>2007</td>
</tr>
<tr>
<td>2008</td>
</tr>
<tr>
<td>2009</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>Average</td>
</tr>
</tbody>
</table>

Source: MONSTAT (Labour Force Survey-LFS)

Box 3. Unemployment of the vulnerable groups

Although it is positive that the number of unemployed is decreasing over the years, the problem of unemployment is additionally augmented by the structure of unemployed persons. Namely, with the drop of the number of unemployed persons, the share of „hard to employ“ is increasing. The identified vulnerable unemployed persons in Montenegro are the following: poor educated and persons lacking professional competences for certain jobs, persons with disabilities, minorities, ex-offenders, drugs addicts, victims of violence, persons with physical impairments and neurotically disordered, redundant workers, long-term unemployed from all categories, unemployed in less developed areas, persons lacking permission for work, etc. These „hard to employ people“ have increasing share in total unemployment. All of them are during the longer period of time in poor social position with low chances to find a job due to the lack of competitiveness. In this way they permanently become dependent upon social assistance. In addition to that, some of them fall in more than one category. About 40% of these „hard to employ people“ are registered within EAM records.

There are no data on employment or unemployment by ethnic status from the LFS. Refugees may receive work permits from the EAM, but this is not an easy process since it requires possession of a personal identification card and a certificate of education, language skills, etc. This is very much in line with EAM’s policy of providing services to the local unemployed workers before considering the job opportunities for new arrivals.
2.4.1.5 Structure of unemployed by working experience

Out of total unemployed, in period 2000-2008, 44.3% on average were the first time job seekers, i.e. persons without recorded work experience, mainly due to the fact
that many young people are unemployed. Although dominant, their share in the overall unemployment was declining at high pace (nominally from 48,560 in 2000 to 6,536 in 2008). The second largest category (11.6%) among employed are those with working experience between 20 and 30 years. Contrary to the first time job seekers, their share in the overall unemployment was increasing (nominally from 2,497 in 2000 to 7,860 in 2008), making them the biggest category amongst unemployed in 2008. This is in line with the finding that only until 2003, the first time job seekers were constituting more than half of the overall unemployment. This is surely a reflection of the fact that new entrants constitute the majority proportion in the EAM’s clients. Since then, however, the share was shifted to those with previous employment record, pointing out to the acceleration of liquidation of companies, etc, in the country in the following period. Persons from this group are the most at risk of becoming the long term unemployed.

Table 20: The share of persons looking for employment by employment record

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>no employment record</td>
<td>59,9</td>
<td>60,2</td>
<td>58,8</td>
<td>55,3</td>
<td>46,1</td>
<td>37,5</td>
<td>31,0</td>
<td>26,7</td>
<td>23,0</td>
<td>44,3</td>
</tr>
<tr>
<td>with employment record</td>
<td>40,1</td>
<td>39,8</td>
<td>41,2</td>
<td>44,7</td>
<td>53,9</td>
<td>62,5</td>
<td>69,0</td>
<td>73,3</td>
<td>77,0</td>
<td>55,7</td>
</tr>
<tr>
<td>1 year probation</td>
<td>7,5</td>
<td>7,3</td>
<td>8,0</td>
<td>10,1</td>
<td>11,8</td>
<td>13,1</td>
<td>12,7</td>
<td>11,3</td>
<td>9,7</td>
<td>10,2</td>
</tr>
<tr>
<td>1-2 years</td>
<td>5,6</td>
<td>4,9</td>
<td>5,0</td>
<td>5,1</td>
<td>5,7</td>
<td>6,3</td>
<td>5,9</td>
<td>6,1</td>
<td>5,6</td>
<td>5,6</td>
</tr>
<tr>
<td>2-3 years</td>
<td>4,2</td>
<td>3,6</td>
<td>3,4</td>
<td>3,1</td>
<td>3,4</td>
<td>3,9</td>
<td>3,5</td>
<td>3,3</td>
<td>3,0</td>
<td>3,5</td>
</tr>
<tr>
<td>3-5 years</td>
<td>5,1</td>
<td>4,6</td>
<td>4,2</td>
<td>4,2</td>
<td>4,5</td>
<td>4,8</td>
<td>4,6</td>
<td>4,3</td>
<td>4,0</td>
<td>4,5</td>
</tr>
<tr>
<td>5-10 years</td>
<td>6,7</td>
<td>6,9</td>
<td>6,8</td>
<td>6,5</td>
<td>6,9</td>
<td>7,6</td>
<td>7,1</td>
<td>6,3</td>
<td>6,1</td>
<td>6,8</td>
</tr>
<tr>
<td>10-20 years</td>
<td>7,5</td>
<td>8,5</td>
<td>9,0</td>
<td>9,4</td>
<td>11,0</td>
<td>12,0</td>
<td>12,0</td>
<td>11,2</td>
<td>11,6</td>
<td>10,3</td>
</tr>
<tr>
<td>20-30 years</td>
<td>3,1</td>
<td>3,4</td>
<td>4,1</td>
<td>5,1</td>
<td>8,5</td>
<td>11,9</td>
<td>17,7</td>
<td>22,5</td>
<td>27,7</td>
<td>11,6</td>
</tr>
<tr>
<td>over 30 years</td>
<td>0,4</td>
<td>0,5</td>
<td>0,6</td>
<td>1,1</td>
<td>2,1</td>
<td>3,0</td>
<td>5,4</td>
<td>8,2</td>
<td>9,4</td>
<td>3,4</td>
</tr>
</tbody>
</table>

Source: EAM

In 2008, among first time job seekers (6,670), 24,8% are without qualifications (I and II level), 59,2% are with secondary education (III, IV and V level), while remaining 16% are persons with tertiary education (VI, VII i VIII level). As far as persons with employment record are concerned, among 21,724 of them, 27,63% are without qualifications, 61,9% hold secondary level degree, while the rest of 2,275 or 10,47% are those with tertiary level of education.
2.4.1.6 Unemployment by educational attainment

In Montenegro, in period 2005-2008, majority of unemployed persons or 63.4% on average were with secondary level of education, followed by those without qualifications (26.5%), while the rest of 10.1% on average is related to persons holding tertiary level of education. While the share of those unemployed without qualifications is sticking to the stable level of about ¼, the share of the most educated persons has been climbing from 8% in 2005 to 11.8% in 2008, which is a negative trend due to the fact that higher share of more educated in overall unemployment is an indicator of the increased poverty in the country. This picture is not so satisfactory, since it does not provide the fact that the chance of becoming unemployed decreases drastically with the educational attainment an individual has achieved and that not having completed primary school leads to a high risk of becoming unemployed. In addition to that, although the unemployment rates for the most educated people are lower than the rates for other educational attainment levels, they are high compared to the corresponding rates in the EU.

Table 21: Share of unemployed according to the educational attainment

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>I&quot;nd and II&quot;nd level of education</td>
<td>27,5</td>
<td>26,1</td>
<td>25,4</td>
<td>27,0</td>
</tr>
<tr>
<td>III&quot;d, IV&quot;th and V&quot;th level of education</td>
<td>64,5</td>
<td>65,0</td>
<td>63,0</td>
<td>61,3</td>
</tr>
<tr>
<td>VI&quot;th, VII&quot;th and VIII&quot;th level of education</td>
<td>8,0</td>
<td>8,9</td>
<td>11,6</td>
<td>11,8</td>
</tr>
</tbody>
</table>

Source: EAM
Note: I"d, II"nd level of education refer to the less than primary education and primary education, III"d, IV"th and V"th level of education are secondary education (general and vocational) and VI"th, VII"th and VIII"th level is tertiary education (the first stage of tertiary education, second stage of tertiary education, bachelors’, masters, or doctors’ degree).

Finally, special attention has to be placed upon unemployed with secondary education due to their much higher share in overall unemployment comparing to primary graduates. The cause for this may be low performance in the secondary education system and particularly in vocational education, as the general secondary education system is intended to lead the student on to higher education and not out into the labour market. In other words, vocational education is of not-satisfactory quality and the qualifications it provided are outdated. These movements raise once again the issue of the mismatch between education system and labour market rapidly changing demand and point out to the need of bringing together formal and informal education. It is believed that in this way, this combination might improve current situation and lift the level of quality of human resources in Montenegro.

2.4.1.7 Structural unemployment

At present, one of the biggest problems of unemployment in Montenegro is the so called “structural unemployment” reflected in the mismatch between supply and
Assessment of the labour market in Montenegro

demand of certain vocations. The register within EAM contains a relatively high number of occupations not demanded in the labour market or not registered occupations, while there is a demand for them. In this register 965 different vocations are registered. For 563 of them there is no demand and they constitute the so called „surplus“ in labour supply. In the case of 331 vocations the companies are interested in, the EAM does not have candidates with adequate qualifications. This is, on the other hand, the so called “deficit” in labour supply. Supply equals demand in case of 48 vocations.

Definitely, the underlying feature of the labour market in Montenegro is high labour demand reflected in the rising number of announced vacancies. Demand for workers amounts about 90%, while the remaining 10% is demand for trainees. The share of announcements for indefinite period contracts varies between 30% and 35%, while the share of those with fixed-term contracts varies between 65% and 70%.

The highest number of announced vacancies is recorded in trade, repair of motor vehicles and household devices, followed by tourism and catering. Employment of persons from the unemployed register in these sectors is proportional to demand. The labour surplus is expressed among the following occupations: metal-smiths, mechanical locksmiths, car body mechanics, tailors – ready-wear makers, salesmen, technicians in mechanical engineering, technicians in business administration, graduates from secondary comprehensive school, etc. The biggest labour deficits are among the following: waiters, nurses, engineers in electrical engineering, engineers in civil engineering, economists, teachers for early school grades, foreign languages teachers, doctors in medicine, etc.

Table 22: Number of vacancies reported to EAM, number of unemployed and S/D ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand</th>
<th>% change in demand</th>
<th>Supply</th>
<th>S/D ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>16404</td>
<td>24,8</td>
<td>84061</td>
<td>5,1</td>
</tr>
<tr>
<td>2001</td>
<td>20476</td>
<td>8,6</td>
<td>81468</td>
<td>4,0</td>
</tr>
<tr>
<td>2002</td>
<td>22243</td>
<td>45,9</td>
<td>80584</td>
<td>3,6</td>
</tr>
<tr>
<td>2003</td>
<td>32455</td>
<td>-4,3</td>
<td>71679</td>
<td>2,2</td>
</tr>
<tr>
<td>2004</td>
<td>31065</td>
<td>12,7</td>
<td>65064</td>
<td>2,1</td>
</tr>
<tr>
<td>2005</td>
<td>35018</td>
<td>37,9</td>
<td>55979</td>
<td>1,6</td>
</tr>
<tr>
<td>2006</td>
<td>48284</td>
<td>32,4</td>
<td>43192</td>
<td>0,9</td>
</tr>
<tr>
<td>2007</td>
<td>63925</td>
<td>32,4</td>
<td>34396</td>
<td>0,5</td>
</tr>
<tr>
<td>2008</td>
<td>64854</td>
<td>1,5</td>
<td>29514</td>
<td>0,5</td>
</tr>
</tbody>
</table>

Source: EAM, ISSP calculations
Note: Labour demand refers to the total number of announced vacancies during the year, while labour supply is composed of the number of unemployed at the beginning of the year plus newly registered within EAM during the year.

The number of vacancies has increased, and the S/D ratio, which reflects the imbalance between labour supply and labour demand, has almost halved from 5,1% in the 2000 to 2.1% in 2004 and almost reached 0% in 2008 (second year in the row). Significant jump in the yearly reported vacancies is related to the efforts that

31 Job advertisements specify not only the main occupation, but also additional requirements – specific knowledge, such as: certain ICT skills or foreign language knowledge, typewriting skills, drivers licence, professional exam certificate, etc. This is noted among around 25% of job advertisements. (Source: EAM)
Assessment of the labour market in Montenegro

were made to legalise informal jobs in 2003. The biggest net increase of yearly reported vacancies of about 15,641 was recorded in 2007. Although, there has been an improvement, Montenegrin labour market still suffers from the significant mismatch at the labour market. As such, this problem has to be taken into serious consideration by Montenegrin policy makers.

Supply is lower than demand among university level occupations, while among other education levels it exceeds demand, while being nominally the highest among occupations of the III and IV education level.

The fact that in Montenegro there is higher labour demand as compared to the labour supply is one of the reasons of the high inflow of the non-resident employees. The Decree on Employment of Non-Resident Natural Persons legally regulates the way in which non-residents are employed in Montenegro. Non-resident, in terms of this Decree, is a person without permanent residence in Montenegro or whose business and personal interests are not mainly attached to this state. The Decree sets a €2.50 administrative fee for the daily work engagement of a non-resident. This fee is used for the educational training of the unemployed. The majority of non-residents comes from the ex-Yugoslavia Republics. Tourism and construction sectors hire between 10,000 and 15,000 seasonal workers each year from these countries.

In 2006, EAM issued 49,475 employment permits for non-residents (out of that 23,965 persons were actually employed), which corresponds to the number of unemployed in the country. In 2008, the number of foreign citizens’ work permits amounted to 57,208 (which is significantly higher than the overall number of unemployed in the country), while in 2009 it decreased at the level of around 16,840\(^2\). In order to regulate employment of non-residents, Montenegro has recently introduced a quota system.

Besides structural mismatch between labour supply and demand, additional factors contributing to the employment of non-residents are as follows: the traditional reluctance of domicile population to accept certain vocations, the poor mobility of domicile labour force, the existence of informal economy and informal employment within the formal economy, etc. Once again, it should be highlighted that formal education system should also contribute to the solution of the problem of high non-residents employment in Montenegro in the situation when the same number of domicile labour force remains unemployed, in terms of establishing its stronger connection with the labour market demand. Despite diplomas, high number of unemployed in schools did not acquire practical knowledge. Additional tools for better matching supply and demand are LLL system, ALMMs, etc.

---

\(^2\) This significant reduction in the number of working permits issued to non-residents did not influence Montenegrin labour market drastically. This is due to the fact that in that year overall economic activity declined sharply and such situation did not require additional labour force engagement. On the contrary, since the end of that year the number of unemployed started to decline following the overall movements in the business cycle.
Assessment of the labour market in Montenegro

One of the consequences of the mismatch between labour supply and labour demand is the increase of the average time spent on job waiting. This has lead to the lowering of the quality of labour supply, in terms of non updated knowledge and skills acquired during regular education. Finally, there is a big interest for starting own business, i.e. entrepreneurship, among the unemployed. However majority of them still lack necessary knowledge for running a business.

2.5 Average wages

Since the beginning of transition process average wages in Montenegro record high nominal growth rates. However, real growth rates were negative in the period from 1991 to 1995, due to hyperinflation. However, since 1996 average wages in real terms record relatively high real growth rates, although by much lower rates as compared to nominal growth rates.

In the period from 1996 to 2004, high growth of wages could be explained partly by inflation pressures as well as constant increases in minimum wage. Minimum wage has important influence on average wage, since all wages in the economy and especially in the public sector are linked to this wage. According to Montenegrin minimum wage concept, there is basic price of labour (national minimum wage), which is a price of unqualified labour, while General Collective Agreement sets wage coefficient for all levels of education (10 levels).

The main elements for wage formation of employed on the national level are provided in the General Collective Agreement\(^{33}\), while relations are defined on the level of sectors, branches and individual enterprises, through negotiations among social partners (workers and employers associations). The employers who register their workers pay taxes and contributions on employees’ wages. Since the beginning of 2003, the Government attempted to reduce labour price via certain cutbacks in fiscal burden on wages, thereby struggling to motivate employers to register currently employed workers or to employ new ones. However, in spite of this measure, employers still consider total labour price high and due to that attempt to reduce it in various ways – not registering their workers or presenting lower than real labour price, which is subject to calculation of payable taxes and contributions.

In 2005 and 2006, growth of net average wages was 9.1% and 15.5%, respectively. As of 2006, average wages of employees in Montenegro show a trend of constant growth. Average gross wages increased from €271 in 2003. to €643 in 2009, while the average net wages (wages after taxes and contributions) of employees in Montenegro during the same period increased from €173 to €470.\(^{34}\)

\(^{33}\) See more on GCA in Chapter II.

\(^{34}\) In 2007, minimum wage increased from €50 to €55.
Assessment of the labour market in Montenegro

**Table 23:** Average wages in Montenegro in the period 2003-2010(Q2) (in €)

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average gross wages</td>
<td>271</td>
<td>302</td>
<td>326</td>
<td>433</td>
<td>497</td>
<td>609</td>
<td>643</td>
<td>702</td>
</tr>
<tr>
<td>Average net wages</td>
<td>173</td>
<td>195</td>
<td>213</td>
<td>282</td>
<td>338</td>
<td>416</td>
<td>470</td>
<td>471</td>
</tr>
</tbody>
</table>

Source: Statistical office of Montenegro (MONSTAT)

During the 2009 there was significant growth in gross and net wages by registered employed persons in Montenegro in comparison to the 2008. Average gross wages increased by 5.59% compared to the 2008 year when it was €609, while the average net wages also rose by 12.99% compared to the 2008, when it was €416.

**Graph 13:** Average gross and net wages in the period 2008-2009

![Graph showing average gross and net wages](image)

Source: Statistical office of Montenegro (MONSTAT)

An increase in wages in Montenegro in recent years occurred due to the influence of several factors. One of the most important factors that have contributed to this growth is a positive and stable political environment, especially after independence, as well as a successful tax reform that significantly reduced tax rates on work, creating a space for an increase in net earnings in the state. Also, a significant growth in the tourism sector over the past few years caused the growth of salaries in this field. High inflows of foreign direct investments and domestic investments have contributed to the growth of salaries, as it is now more predictable economic environment for business. In addition to these important factors, reduced gray economy and increased productivity are the probable factors of higher earnings growth.
2.5.1 Average wages according to the economic activity in 2009

During 2009 significant growth in average wages was achieved in all sectors. The highest wages were recorded in the area of financial intermediation, production of electricity, gas and water as well as in the field of mining and quarrying. Gross wages of employees in the production of electricity, gas and water in 2009 amounted to €825 and increased by 5.37% compared to gross profit in 2008, while net wages achieved in the production of electricity, gas and water increased by 11.89% compared to the same period.

However, the largest percentage increase in wages in 2009. in relation to the 2008 th was recorded in agriculture, forestry and water management, health and social work, and work with real estate. Growth of gross wages in these sectors amounted to 16.78%, 12.5% and 7.72% compared to the 2008 th year, respectively. The growth of net wages in these areas amounted to 21.86%, 19.75% and 13.5%, respectively.

In 2009, the lowest wages growth was recorded in the public administration and social insurance, where the average gross wage rose by only 0.6%, while the average net wages increased 6.39% compared to earnings from the 2008 th year.

Table 24: Average gross and net wages by economic activity in the period 2008-2009

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and water supply</td>
<td>584</td>
<td>682</td>
<td>398</td>
<td>485</td>
</tr>
<tr>
<td>Fishing</td>
<td>197</td>
<td>210</td>
<td>141</td>
<td>159</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>833</td>
<td>776</td>
<td>574</td>
<td>558</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>615</td>
<td>612</td>
<td>418</td>
<td>441</td>
</tr>
<tr>
<td>Electricity supply</td>
<td>783</td>
<td>825</td>
<td>530</td>
<td>593</td>
</tr>
<tr>
<td>Construction</td>
<td>519</td>
<td>554</td>
<td>353</td>
<td>400</td>
</tr>
<tr>
<td>Wholesale and retail trade, repair</td>
<td>345</td>
<td>375</td>
<td>242</td>
<td>273</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>445</td>
<td>457</td>
<td>307</td>
<td>330</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>757</td>
<td>784</td>
<td>513</td>
<td>607</td>
</tr>
<tr>
<td>Financial activities</td>
<td>1268</td>
<td>1249</td>
<td>854</td>
<td>891</td>
</tr>
<tr>
<td>Real estate activities, renting</td>
<td>531</td>
<td>572</td>
<td>363</td>
<td>412</td>
</tr>
<tr>
<td>Public administration and social insurance</td>
<td>669</td>
<td>673</td>
<td>454</td>
<td>483</td>
</tr>
<tr>
<td>Education</td>
<td>570</td>
<td>595</td>
<td>388</td>
<td>428</td>
</tr>
<tr>
<td>Health and social work</td>
<td>576</td>
<td>648</td>
<td>395</td>
<td>473</td>
</tr>
<tr>
<td>Other community, social &amp; personal service activities</td>
<td>532</td>
<td>562</td>
<td>370</td>
<td>405</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>609</strong></td>
<td><strong>643</strong></td>
<td><strong>416</strong></td>
<td><strong>463</strong></td>
</tr>
</tbody>
</table>

Source: Statistical office of Montenegro (MONSTAT)
In Montenegro, we can expect further earnings growth. Reduction of taxes will continue to affect the growth of average net earnings. Since 2007, the rate of tax on personal income amounts to 15%, in 2009 it was reduced to 12% and as 2010 to 9%.

2.6 Assessment of the impact of the current global economic crisis on Montenegrin labour market

Montenegro has the characteristics of an open economy. The main factors that have contributed to strong economic growth achieved in the previous period include the introduction of the Euro as official currency, privatizations, particularly the process of mass voucher privatizations, and tax reform. A number of reforms and structural changes in the field of price and trade liberalization, privatization and stable-managed public finance were the main conditions leading to the stimulation of economic growth.

In the period 2006-2008 Montenegro was one of the fastest growing economies in Europe (GDP growth rates: 2006-8%, 2007-10.7% and 2008-6.9%). Specifically, foreign investors have recognized the advantages of a healthy and stable currency, reduced transaction costs and low political risks that adopting the Euro has brought. As a result of that over the last three years Montenegro recorded the largest share of FDIs in GDP (at about 25%). Thanks to the Euro, trade and investment flows have become simpler, easier and with lower transaction costs. Montenegro has so far privatized approximately 85% of the state capital. Some sectors, like banking, capital markets, and telecommunications, are 100% privatized. However, the continuation of privatization in the field of energy and transport is of key importance for the further growth of competitiveness of the Montenegrin economy.

Slowdown of economic activity was noticed at the last quarter of 2008. In 2009 GDP decreased by 5.7%, while the small revival by 0.5% is expected in 2010. Sectors that recorded most significant decrease were: industry (-32.2%), construction (-21.8%) and trade (-8.9%). Decrease in these sectors was partially covered by tourism revenues that were at previous year level, activation of the agricultural resources and production, as well as increase of the FDIs, which in 2009 were at the record level of about €1 billion. During 2009 inflation measured by CPI was at the level of 3.4%. Banks significantly decreased credit activities, by 14.30% on annual level. Current account deficit in 2009 in comparison with 2008 recorded a decrease by 42.7% and was at the level of 30% of GDP, due to the low domestic production and demand for foreign products. Fiscal policy was focused on fiscal adjustments in the crises, which resulted in budget deficit at the level of 2.3% of GDP. In 2009, total budget revenues were 11.5% lower compared to the 2008, and at the same time lower by 5.6% as compared to the planned revenues for 2009. The decrease in budget revenues is partially caused by lower collection of taxes and contributions.
Budget expenditures in 2009 were 7.13% lower than the planned expenditures. The highest share in total expenditures (around 30%) have transfers for social protection, which recorded an increase by more than 11% as compared to 2008. However, the highest increase (by almost 170%) recorded subsidies, which is the direct consequence of the state support in order to overwhelm the consequences of economic crisis.

2.6.1 The effects of crisis on unemployment

Unlike most economies, the formal labour market which recorded a positive trends prior the crisis didn’t suffer seriously in terms of overall employment (that registered growth prior the crisis) and unemployment (which registered decline prior the crisis) because they remained on the similar level during 2009. Also, activity rate did not change significantly; in 2008 and 2009, it amounted to 51.9% and 51.1%, respectively.

Graph 14: Unemployment rate, employment growth rate and real GDP growth rate (2002-2009)

According to the EAM, unemployment rate slightly increased from 10.6% in 2008 to 10.7% in 2009, while during 2009 registered employment increased by 4.8% in comparison with the previous year. Employment in services sector increased by 37.38%, while employment in agriculture sector increased by 1.44% in comparison to the previous year. Industrial sector registered decrease in employment by 8.78%: the number of employees in mining and manufacturing subsector decreased by 13.19%, in electricity, gas and water supply sector decreased by 9.77% while employment in construction subsector increased by 12.50% in comparison with 2008. The most important change was recorded in the real estate, leasing and business activities subsector, where registered employment increased by 30.36%. However, according to the MONSTAT Labour Force Survey, employment (registered and unregistered) decreased by 3.5% during 2009.
In February 2009, Montenegrin Government decided to stop employment in public sectors in order to contribute to the envisaged budget saving during the crisis. Although that decision was made in early 2009, its effects were evident only in health and social service sector which recorded decrease of employment by 0.81%. Despite positive trends in registered employment, there is a disturbing trend in registered unemployment, since during 2009 the number of compensation for the unemployed which are entitled to all persons who have at least 6 months work experience, increased. Based on EAM data, the average number of persons receiving unemployment benefit amounted to around 9,500, while in 2009 it increased to 12,500, which represents the increase of 31%.

Table 25: Unemployment data

<table>
<thead>
<tr>
<th>Month</th>
<th>Total number of registered unemployed in 2008, 1000’</th>
<th>Recipients of unemployment benefits</th>
<th>Registered vacancies</th>
<th>Total number of registered unemployed in 2009, 1000’</th>
<th>Recipients of unemployment benefits</th>
<th>Registered vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Febr.</td>
<td>31.469</td>
<td>9.432</td>
<td>5.871</td>
<td>29.305</td>
<td>13.133</td>
<td>5.115</td>
</tr>
<tr>
<td>May</td>
<td>30.021</td>
<td>9.630</td>
<td>7.436</td>
<td>27.785</td>
<td>12.265</td>
<td>4.529</td>
</tr>
<tr>
<td>June</td>
<td>29.088</td>
<td>9.416</td>
<td>7.515</td>
<td>27.113</td>
<td>12.644</td>
<td>5.263</td>
</tr>
<tr>
<td>Sept.</td>
<td>28.276</td>
<td>8.877</td>
<td>5.594</td>
<td>27.313</td>
<td>12.387</td>
<td>3.150</td>
</tr>
<tr>
<td>Nov.</td>
<td>28.645</td>
<td>10.537</td>
<td>3.527</td>
<td>29.607</td>
<td>12.975</td>
<td>1.908</td>
</tr>
</tbody>
</table>

Source: EAM

Negative effects of the crises were noticed at the Montenegrin labour market with a delay in comparison with the rest of the economy. The first signs of negative trends are recorded at the end of 2009. Negative trends caused by global economic crisis have become more obvious and more visible on Montenegrin labour market at the end of 2009 (last quarter) and during 2010. In 2009 industrial sub-sectors such as Aluminium Plant (KAP), Steel Factory and Bauxite Mine Niksic, as a consequence of restructuring, started to record decreasing number of employees, which continued in 2010, as well.

Table 26: Number of employees in selected companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of employees</th>
<th>Number of workers to be laid off</th>
</tr>
</thead>
<tbody>
<tr>
<td>KAP</td>
<td>1288</td>
<td>524</td>
</tr>
<tr>
<td>Zeljezara Niksic</td>
<td>1460</td>
<td>400</td>
</tr>
<tr>
<td>Bauxite Mines Nikšić</td>
<td>530</td>
<td>300</td>
</tr>
<tr>
<td>Coal mine Pijevlja</td>
<td>1500</td>
<td>370</td>
</tr>
</tbody>
</table>
The overall unemployment rate increased to 12.5%, while the change in employment in first two quarters of 2010 followed the changes in economic activity: there is noticeable decrease of employment in the industrial sector, while in the agriculture employment is growing.

**Table 27: Employment by sectors in 2009 and 2010 (the first two quarters)**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2009 (I-VI)</th>
<th>2010 (I-VI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors</td>
<td>Number of employees (000)</td>
<td>% of total employment</td>
</tr>
<tr>
<td>Agriculture</td>
<td>14.6</td>
<td>6.9</td>
</tr>
<tr>
<td>Industry</td>
<td>42.4</td>
<td>20.0</td>
</tr>
<tr>
<td>Mining and manufacturing</td>
<td>23.2</td>
<td>10.9</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>5.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Construction</td>
<td>13.7</td>
<td>6.5</td>
</tr>
<tr>
<td>Services</td>
<td>155.0</td>
<td>73.1</td>
</tr>
<tr>
<td>Wholesale, retail; certain repair</td>
<td>45.5</td>
<td>21.5</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>18.2</td>
<td>8.6</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>17.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>3.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Real estate, leasing and business activities</td>
<td>6.4</td>
<td>3.0</td>
</tr>
<tr>
<td>Public administration and defense</td>
<td>19.1</td>
<td>9.0</td>
</tr>
<tr>
<td>Education</td>
<td>13.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Health and social work</td>
<td>12.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Other social and personal services</td>
<td>18.8</td>
<td>8.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>212</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

MONSTAT Labour Force Survey shows that during the first six months of 2010 the number of employees in agriculture amounted to 19,200, which represents the increase of 31.5% in comparison to the same period of previous year. As a consequence of crisis, industry registered a decrease of 9% in comparison to the same period of previous year. Within industry the mining sector registered increase by 3%, the manufacturing sector registered increase by 1%, but construction registered decrease of 33% which is direct consequence of the impact of crisis on construction industry. In the services sector, employment increased the most. There was an increase in the number of employees in hotels and restaurants and in activities related to real estate by 4% and 25%, respectively. As already mentioned, in February 2009 Ministry of Finance made decision about measures of savings. They
have stopped new employment in public sector and as consequence of such measures the number of employees in public administration remained almost the same. The most significant decrease in the number of employees was registered in other social and personal services (decrease of 31% in comparison to the first six month of 2009).

**Table 28: Inflow and outflow of registered unemployed by causes**

<table>
<thead>
<tr>
<th></th>
<th>Registered in a current month</th>
<th>Found a job</th>
<th>Erased from records, other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2008</td>
</tr>
<tr>
<td>January</td>
<td>1.947</td>
<td>2.123</td>
<td>2.977</td>
</tr>
<tr>
<td>February</td>
<td>2.176</td>
<td>2.290</td>
<td>3.786</td>
</tr>
<tr>
<td>March</td>
<td>2.105</td>
<td>2.447</td>
<td>3.738</td>
</tr>
<tr>
<td>April</td>
<td>1.601</td>
<td>1.753</td>
<td>3.386</td>
</tr>
<tr>
<td>May</td>
<td>2.640</td>
<td>1.624</td>
<td>3.490</td>
</tr>
<tr>
<td>June</td>
<td>1.787</td>
<td>1.807</td>
<td>4.216</td>
</tr>
<tr>
<td>July</td>
<td>1.868</td>
<td>1.915</td>
<td>4.606</td>
</tr>
<tr>
<td>August</td>
<td>1.547</td>
<td>1.462</td>
<td>3.589</td>
</tr>
<tr>
<td>September</td>
<td>2.519</td>
<td>2.279</td>
<td>3.513</td>
</tr>
<tr>
<td>October</td>
<td>2.855</td>
<td>2.704</td>
<td>2.613</td>
</tr>
<tr>
<td>November</td>
<td>2.136</td>
<td>2.426</td>
<td>2.545</td>
</tr>
<tr>
<td>December</td>
<td>1.900</td>
<td>2.393</td>
<td>2.116</td>
</tr>
</tbody>
</table>

Source: EAM

Bearing in mind the number of people that are planned to be laid off in the future, it can be expected that the number of recipients of the unemployment benefits will be on the higher level during 2010. This will present significant additional burden to Montenegrin budget, which is already in deficit.

### 2.6.2 The effects of crisis on the level of wages

According to the MOSTAT data, gross wages, as well as net wages, had increasing trends even during the crisis period. The average gross wage for 2009 amounted to €643, while average net wage amounted to €463. It’s believed that the crisis was the most pronounced in 2009, but comparison between 2009 and 2008 shows that gross wages increased by 5.5% and net wages increased by 11.2% in 2009. The higher increase of net wages is consequence of the decrease of personal income tax in 2009 when it was reduced from 15% to 12%, as well as the decrease of the rate of contribution for social and health insurance. Only few sectors recorded a decrease in wages, which wasn’t too high. Among them mining and quarrying recorded the highest decrease of net wages (decrease of less than 3%).

**Table 29: Average gross and net wages during 2008-2010 (in €)**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2008</th>
<th>2009</th>
<th>2010 (I-IX)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Assessment of the labour market in Montenegro

### Gross wages

<table>
<thead>
<tr>
<th>Wages without taxes and contributions (net)</th>
<th>609</th>
<th>643</th>
<th>709</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: MONSTAT</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This positive trend continued in 2010 when the increase of wages for the period of the first nine months is registered in comparison to the same period of previous year. During period January-September 2010 gross wages increased by 10%, and net wages increased by 2.5% in comparison with the same period of previous year. The most significant increase of gross wages during observed period was registered in agriculture (25.1%), mining and querying (25%), fishing (24.6%) and hotels and restaurants (17.4%). The analysis of the net wages for first 3 quarters of 2010 shows that public administration and defence had decrease of net wages by 5.5%, as well as education sector (1.9%), health and social work sector (1.2%) as result of GoM’s decisions related to the measures of saving. The highest increase of net wages is registered in fishing (17.7%), mining and querying (16.5%), and electricity, gas and water supply (16.2%).

These data show that so far economic crisis didn’t affect wages since they recorded positive growth rates even in the times of crisis.

#### 2.6.3 The effects of crisis on different groups

The experience with the previous period shows that young people, elderly workers, unskilled workers, women and migrant workers are the most vulnerable groups in situation when general economic downturn exists. At the same time, under these conditions, job opportunities are more limited for persons without work experience, recently graduates or those who are long-term unemployed.

According to the MONSTAT Labour Force Survey, women made 46.3% of total unemployed persons in 2008, while in 2009 that percent is even higher - 46.9%. Also, unemployment rate for female population was higher than for male population during 2008 (17.9% and 15.9%, respectively), while in 2009 unemployment rate for female population was higher by three percentage points than unemployment rate for male population (20.5% and 17.8% respectively). These data show that unemployment rate increased both for women and men during 2009.

**Table 30: Unemployment and employment in Montenegro by gender (in 000)**

<table>
<thead>
<tr>
<th>UNEMPLOYMENT</th>
<th>EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>49.8</td>
</tr>
<tr>
<td>Men</td>
<td>26.3</td>
</tr>
<tr>
<td>Women</td>
<td>23.5</td>
</tr>
</tbody>
</table>

Source: MONSTAT (Labour Force Survey)
Assessment of the labour market in Montenegro

However, the effects of crisis on labour market became more visible in last quarter of 2009, when unemployment rate for male population amounted to 19.2% or 4.2 percentage points higher than in the same period of 2008. Unemployment rate for female population in the fourth quarter of 2009 amounted to 21.8%, which represents an increase by 3.6 percentage points in comparison with the same period of 2008. According to this survey there were around 11,000 of new unemployed persons, out of which half were men and half were women. Similar trends continued in 2010, when according to the LFS for the first two quarters, women made 45.5% of total unemployed persons, while the unemployment rate for female and male population amounted to 22.8% and 19%, respectively. Compared to the first two quarters of 2009, there were 10,000 of new unemployed persons out of which 4,600 were women, which indicates that women weren't affected by the crisis more than men.

Analysis of unemployment by age groups shows that unemployment rate for the population between 15 and 24 years increased the most significantly in the last quarter of 2009 in comparison with the same period of 2008, i.e. increase of unemployment rate from 31.1% to 42%. Population between 25 and 49 years recorded unemployment rate of 16% in fourth quarter of 2008, and 20.1% in the same period of 2009. Unemployment rate for population between 50 and 64 years during last quarter of 2008 and 2009 was 10.2% and 11.0%, respectively. Similar trends persisted in the first half of 2010, when unemployment rate for the population between 15 and 24 amounted to 42.1%, for population between 25 and 49 years amounted to 19.2%, while registered unemployment rate for population between 50 and 64 years amounted to 12.3%. These data show that young and elderly population is the most affected by crisis, while population between 30 and 50 years is much less affected by negative trends.

**Table 31: Unemployment and employment in Montenegro by age groups**

<table>
<thead>
<tr>
<th></th>
<th>UNEMPLOYMENT</th>
<th>EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>10</td>
<td>10.1</td>
</tr>
<tr>
<td>25-49</td>
<td>32.1</td>
<td>33.4</td>
</tr>
<tr>
<td>50-64</td>
<td>7.5</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Source: MONSTAT (Labour Force Survey)

The analysis of unemployed people by the level of education shows that since 2008 persons with secondary general education were mostly affected by the crises. This may be explained with the fact that there were no newly opened working places, while inflow of people who finished secondary general education increased in comparison with the period before the crisis.

Also, population with tertiary education is affected by the crisis. However, the expectations of almost all stakeholders interviewed for the purpose of this Study are
such that the reconstruction of the big companies in the nearest future will mainly affect low skilled workers.

Table 32: Unemployment rates among population groups by the level of education

<table>
<thead>
<tr>
<th>LEVEL OF EDUCATION/YEAR</th>
<th>2008</th>
<th>2009</th>
<th>2010 (I-VI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than primary education</td>
<td>27.2</td>
<td>27.9</td>
<td>35.9</td>
</tr>
<tr>
<td>Primary education</td>
<td>20.1</td>
<td>27.3</td>
<td>30.1</td>
</tr>
<tr>
<td>Vocational education after primary school</td>
<td>19.3</td>
<td>17.6</td>
<td>28.0</td>
</tr>
<tr>
<td>Secondary general education</td>
<td>16.7</td>
<td>18.5</td>
<td>18.0</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>8.0</td>
<td>11.3</td>
<td>10.6</td>
</tr>
</tbody>
</table>

Source: MONSTAT (Labour Force Survey)

What can be concluded based on the recent trend is the fact that the job destruction due to crisis happened mainly in the area of grey economy and affected primarily self employed and family workers. Also, data on the employment of foreigners from EAM shows that there was a big drop in the number of employed foreign workers during 2009. Namely, the number of foreign workers in 2008 amounted to 57,766, while in 2009 it recorded a drop of more than 40,000, and it amounted to 17,089. It is evident that decrease of the economic activity had significant implications on the employment of the foreign workforce. Related to this, it can be observed that among the most affected groups could be migrant workers. In situations where there is a decline in economic activity in countries characterized by a large number of migrant workers, consequently, workers lose their jobs and return to the resident country, where there is pressure on domestic labour market. At the same time, migrants are usually the first among those who, in conditions of crisis, are being dismissed because of their concentration in sectors that are week in terms of crisis (tourism, construction, etc.), and they are usually employed temporarily or they are not registered.

Regional disparities are evident, as well. The highest unemployment rate is registered in the northern region and the lowest in the southern region. However, the changes in employment structure by the regions weren’t significant during crisis. The most significant rise of unemployment was recorded in Podgorica and Niksic, as well as in Budva as main tourism destination.

Table 33: The share of employed by regions in overall employment

<table>
<thead>
<tr>
<th>REGION/YEAR</th>
<th>2008</th>
<th>2009</th>
<th>2010 (I-VI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>25.87</td>
<td>27.81</td>
<td>25.5</td>
</tr>
<tr>
<td>Center (with Podgorica)</td>
<td>49.26</td>
<td>49.25</td>
<td>51.41</td>
</tr>
<tr>
<td>Podgorica</td>
<td>33.3</td>
<td>32.8</td>
<td>34.25</td>
</tr>
<tr>
<td>North</td>
<td>24.87</td>
<td>22.94</td>
<td>23.09</td>
</tr>
</tbody>
</table>
Assessment of the labour market in Montenegro

LFS data on duration of unemployment show that, during 2008, out of total number of unemployed people, 64.7% were unemployed for 2 and more years, while that percent for 2009 was even higher and it amounted to 68.9%. In the first half of 2010, the number of those who are unemployed for 2 and more years amounted to 64.9%. Also, it could be concluded that groups who are working up to five years as well as groups who are working over 30 years are mostly affected by the crisis.

2.6.4 The response to the crisis

The recommendations of the International Labour Organization (ILO) for a national policy to reduce unemployment and the impact of the global economic crisis on unemployment could be summarized as follows:

1. Appropriate mix of active and passive labour market policies;
2. Adjustment of transfers for social security and pensions, in order to avoid their devaluation;
3. Support to enterprises, especially SMEs in overcoming the problems with liquidity and getting the loans;
4. Public investment in infrastructure;
5. Support and help towards vulnerable groups;
6. Restructuring of companies in a socially responsible manner;
7. Strengthening of institutions that provide services for unemployed;
8. Incentives and investments in energy efficient technologies and "green jobs";

If we consider the recommendations made by ILO, it could be concluded that their implementation has already started in Montenegro. Namely, during the last couple of years the level of taxes and contributions declined. In 2009 total amount of taxes and contributions was at the level of 63% of net wage which makes Montenegro more business friendly and removes the barrier which forced most of the employers in Montenegro to report minimal wage in order to pay minimal taxes and contributions.

However, the level of contributions as percent of gross wage increased during 2010 in order to maintain sustainable revenues of Pension Fund and Health Insurance Fund, as well as to reduce the amount of transfers to these funds from the state budget, which has already entered the area of deficit.

| TABLE 34: Employment tax rates in 2008, 2009 and 2010 (% of payroll/wages) |
|----------------|--------|--------|--------|
| YEAR | 2008 | 2009 | 2010 |
| Employee’s contributions |        |        |        |
Assessment of the labour market in Montenegro

<table>
<thead>
<tr>
<th>Personal income tax (tax free income 70 euros per month)</th>
<th>15</th>
<th>12</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security contributions</td>
<td>19</td>
<td>17.5</td>
<td>24</td>
</tr>
<tr>
<td>Pension contribution</td>
<td>12</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Health contribution</td>
<td>6.5</td>
<td>5.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Unemployment contribution</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Employers' contribution</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social security contributions</td>
<td>15.0</td>
<td>14.5</td>
<td>9.8</td>
</tr>
<tr>
<td>Pension contribution</td>
<td>9</td>
<td>8.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Health contribution</td>
<td>5.5</td>
<td>5.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Unemployment contribution</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Chamber of Commerce contribution</td>
<td>0.32</td>
<td>0.32</td>
<td>0.32</td>
</tr>
<tr>
<td>Surtax on personal income tax</td>
<td>13-15%</td>
<td>13-15%</td>
<td>13-15%</td>
</tr>
<tr>
<td>PIT</td>
<td>PIT</td>
<td>PIT</td>
<td>PIT</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance

According to the inputs got from expert interviews, there is common opinion that during the times of crisis Montenegro managed to improve the balance between labour market needs and education system. There is a lot of space for further improvement in this area since current education system still does not match completely with the labour market needs. Certain qualification profiles are deficient on the market. There is evidence that tourism and construction industry are sectors that suffer the most from the lack of qualified labour force supply even during the crisis, because there was a large number of foreign workers in these sectors during previous years. Also, agriculture, as well as wood processing sector, are recognized by EAM as sectors with the lack of certain qualification profiles. Therefore, the EAM plans to begin the implementation of special programs in order to improve the supply of labour force on Montenegrin labour market. There are also programs created in order to stimulate employment in the Northern region, while special incentive measures are designed for employment of persons who cannot easily find a job.

Compensation for the elderly unemployed significantly increased (the minimum pension for elderly unemployed). In addition, support to SME sector was achieved through the provision of credit lines for SMEs from European Investment Bank, in cooperation with commercial banks in Montenegro.

The problems in the manufacturing industry sector should be resolved by restructuring and supporting the major companies in the sector.

Also, GoM is trying to invest in infrastructure and stimulate employment. GoM is in the process of negotiation regarding the building of high-way through Montenegro. The start of the construction of the high-way would represent a big incentive for Montenegrin labour market because there is estimation that one to two thousands of workers with various qualifications will be employed on that project.
The opinion of the representatives of the MLSW is that during the times of crisis, the priority, via social dialogue, is to preserve jobs, supported by the ALMP and social responsibility of employers.

Regarding the “green jobs”, the projects of encouraging and financing of energy efficiency programs are already in phase of implementation. There is encouraging attitude towards an increasing importance of green technology. Centre for Vocation Education has already established several educational programs supporting energy matters which deliver the knowledge applicable to new sources of energy, because the representative of this institution emphasized an increasing demand for occupations in area of high voltage electricity and new sources of energy.

However, since the crisis is global, local level measures cannot solve all the problems. Therefore, the recovery of the economy, i.e. continuation in the trend of growth, and consequently the development of the labour market, will partially depend on solution of the problems on a global level. Developments in future largely depend on developments in the global economy, which will have an impact on developments in the economy of Montenegro (tourist season, the way to resolve the crisis in the manufacturing industry sector, privatization in the energy sector, etc.). Therefore, the main issues and challenges still will be further problems with liquidity of the Montenegrin companies, finalization of restructuring of the number of big economic systems, maintenance of budget policy in accordance with the economic reality, stabilization of banking system and further attraction of foreign direct investments. These issues would significantly define the trends on the labour market in the future.

3. CONCLUSIONS

The post-2000 period, especially last several years, saw relatively more stable conditions and trends in the labour market in Montenegro as well as more favourable conditions for implementation of a range of measures and activities in resolving unemployment problems.
Assessment of the labour market in Montenegro

Since 2003 employment has started to recover and to record positive annual growth rates, following the high GDP growth rates in the country. Rapid growth in the number of registered employed persons in Montenegro since 2003 is the result, among other things, of the reduction in the tax burden on work. During the last couple of years the level of taxes and contributions declined. In 2009 total amount of taxes and contributions was at the level of 63% of net wage which makes Montenegro more business friendly and removes the barrier which forced most of the employers in Montenegro to report minimal wage in order to pay minimal taxes and contributions. Also, the positive rates of employment growth have been assisted by the favourable macro-economic situation in Montenegro and reduced business barriers, influencing an inflow of FDI in infrastructure, as well as in the tourism and financial sectors. The same reasons lead to the decrease in unemployment during the last period.

Since 2003 activity rate has been declining constantly. However, activity rates are very unequal with respect to gender. Similarly, employment rate by gender follows the same pattern. Although during the last six years, there has been a growth of females participation in the overall employment, their share in the overall employment is at the lower level as compared to males. Although with similar level of education, females have lower participation in the overall employment as compared to males. In Montenegro, women almost exclusively work in services, such as hotels and restaurants, trade, etc. Another important branch of activity for females is education, especially pre-pre-primary education. On the negative side, as compared to males they have higher share in branches with lower salaries. In addition to that, a very few women are seen on the high managerial places; they are mainly employed as office clerks. Due to this, it is necessary to have efficient and on time legal protection against all kinds of violation of the gender equality on the labour market. Since the gender gap is wide, further progress must be achieved in the area of promoting equal treatment of women and men in the workplace. In this way an increase in the employment rate of women as well as empowerment of women in working life will be achieved in the years to come.

In Montenegro, the youngest are having the greatest difficulties finding the job. On the other hand, the oldest age group (55-64) has the lowest employment rates, mainly due to the retirement possibilities open to people in this age range, especially after early retirement offers were made in connection with the privatisation process.

Less than 1/3 (around 27%) of the employed work in agriculture (6.5%) and industry (20.7%), leaving the vast majority (73%) of the employed in the services sector. Despite the positive job-creation record, evidence of the overall impact of tourism growth on decent employment is still awaited. The tourist inflow is tied to the summer season, with a two-month high and two months of smaller tourist numbers.

The informal economy is large; up to 25% of the economy is generated there. Activities in the informal economy are not contributing their proper share to state
Assessment of the labour market in Montenegro

finances, and the transformation of jobs in the informal economy into jobs in the formal economy must remain a high priority. About 22.6% out of total number of employed persons is employed in the informal sector companies or hold an informal employment in formal sector companies (informal employees), thus, about 50,000 people are engaged as unregistered employees in formal companies or engaged in informal companies. Measures to tackle the informal economy need to remain high on the Montenegro government’s agenda. Informality matters because it deters investment and productivity.

According to EAM data on registered unemployment in Montenegro, the number of unemployed persons has reached its peak in 2000, when registered unemployment was 81,069. Following that period, unemployment has been constantly declining, and was halved by the end of 2006 (38,869). The most recent data of EAM show that the total number of unemployed persons in Montenegro in 2009 was 28,362, indicating the declining trend in the number of unemployed persons (by about 69.2% as compared to 2001). On the other side, according to the MONSTAT, in 2005 there were 77,754 unemployed. In 2009, the total number of unemployed in Montenegro was 50,400, which is by 71% higher figure as compared to the same indicator reported by EAM. That means that only 1/3 of unemployed in Montenegro are seeking new job through the assistance of EAM.

In period 2004-2009, the lowest unemployment rate has been recorded in the south region (16.0%, i.e. around the national average), whereas the highest rate is in the central region (48.0%). Consequently, poverty and unemployment are more widespread in the northern region. Regardless different methodologies on the calculation of unemployment rate in Montenegro, trend has been obvious over the last medium term, and that is its constant decline.

The common denominator for both genders is that the risk of being unemployed decreases with age. Overall, the difference in unemployment rate among genders is also partly caused by lower activity rates among females (43% among females and 59% among males).

The age structure of unemployed has changed as well, but it is still unfavourable. The problem of the youth unemployment rate is dominant in the overall unemployment structure, since they have the highest unemployment rate of all age groups. The very high unemployment rate for youth is a consequence of their inability to find job and not dominantly to their poor education attendance. Young people are therefore increasingly finding themselves either inactive or pushed towards the informal labour market, or forced to accept jobs with poorer working conditions.

There are substantial problems with long-term unemployment. According to EAM, the incidence of long-term unemployment in 2008 was 55.6%. Bearing in mind movements in the long term unemployed among registered unemployment, it is positive its drop over the recent period, however, on the negative side, this rate is
Assessment of the labour market in Montenegro

still pretty higher as compared to EU-27. The duration of unemployment is concern for Montenegro, since there is a tendency for people who lose their jobs to be unemployed for a long time. The problem is that the knowledge and qualifications sought on the labour market do not correspond with those of the unemployed. The education system is not properly adjusted to labour market requirements and challenges, and a mismatch still exists between the education system and the needs of the labour market. Also, there is still a large number of persons working on grey market while being registered at the EAM for a relatively long period. The same is applied to agriculture workers for the sake of getting health insurance on the basis of unemployment.

On the negative side, majority of unemployed persons are qualified labour and this trend is additionally worsened by the fact that the share of the most educated persons has been climbing over the recent period. The latter negative trend might be an indicator of the increased poverty in the country. The cause for this may be the low performance in the secondary education system and particularly in vocational education, as the general secondary education system is intended to lead the student on to higher education and not out into the labour market. In other words, vocational education is of not-satisfactory quality and the qualifications it provided are outdated. These movements raise the issue of the mismatch between education system and labour market rapidly changing demand and point out to the need of bringing together formal and informal education.

By far the greatest problem of unemployment in Montenegro is the structural unemployment seen in the discrepancy between labour supply and demand with regard to certain jobs. There is a hyper production of human resources in certain fields of work, while, on the other hand, there is a lack of interest in the construction industry, agriculture, forestry, wood processing industry, etc, although there is a labour market demand for these professions.

The fact that in Montenegro there is higher labour demand as compared to the labour supply is one of the reasons of the high inflow of the non-resident employees. During the recent years, Montenegro has received seasonal migrants from neighbouring countries, such as Serbia, FYRM, Federation of Bosnia and Herzegovina and Kosovo under UNSCR 1244/1999. They are mainly engaged as additional labour force during tourism season in branches such as tourism and construction. Besides structural mismatch between labour supply and demand, additional factors contributing to the employment of non-residents are as follows: the traditional reluctance of domicile population to accept certain vocations, the poor mobility of domicile labour force, the existence of informal economy and informal employment within the formal economy, etc. One of the consequences of the mismatch between labour supply and labour demand is the increase of the average time spent on job waiting.

The problem of unemployment is additionally augmented by the structure of unemployed persons. Namely, with the drop of the number of unemployed, the
Assessment of the labour market in Montenegro

share of „hard to employ“ is increasing. All of them are during the longer period of time in poor social position.

Negative effects of the global crises were noticed at the Montenegrin labour market with a delay in comparison with the rest of the economy. The first signs of negative trends are recorded at the end of 2009 (last quarter) and during 2010. In 2009 industrial sub-sectors such as Aluminium Plant (KAP), Steel Factory and Bauxite Mine Niksic, as a consequence of restructuring, started to record decreasing number of employees, which continued in 2010, as well. The problems in the manufacturing industry sector should be resolved by restructuring and supporting the major companies in the sector. Bearing in mind the number of people that are planned to be laid off in the future, it can be expected that the number of recipients of the unemployment benefits will be on the higher level until the end of 2010. This will present significant additional burden to Montenegrin budget, which is already in deficit.

Persons with secondary general education were mostly affected by the crises. This may be explained with the fact that there were no newly opened working places, while inflow of people who finished secondary general education increased in comparison with the period before the crisis.

However, job destruction due to crisis happened mainly in the area of grey economy and affected primarily self employed and family workers. Also, data on the employment of foreigners from EAM shows that there was a big drop in the number of employed foreign workers during 2009.

Definitely, the increase in employment and the reduction of unemployment are the main priorities in the medium-term period in Montenegro. This requires that full attention has to be placed upon both demand and supply on the labour market, and provision of assistance for the unemployed to get integrated into the labour market. Beside this main priority, other identified labour market challenges in Montenegro founded on the basis of analysis made in this Chapter can be outlined in the following way:

- Reduction of work and employment in grey economy;
- Fostering of labour mobility and making labour market more flexible, by mitigating geographical constraints, underpinning development of infrastructure, creating the new programs, making living and working conditions for local population much easier, all this with the view to keep them not migrating to other parts of the country;
- Fighting against long-term unemployment and youth unemployment;
- Coping with the problem of structural unemployment and matching labour supply to labour demand;
- Tackling down the problems caused by the global economic crisis;
- Developing programs for work with hard to employ people;
• Further and faster encouraging of SMEs development, entrepreneurship and employers to create more jobs; SMEs should be seen as the main driver of new jobs creation and reduction of the poverty level;
• Improving/promoting female employment and especially female entrepreneurship and assisting them in getting loans for business start ups due to the fact that there is unsatisfactory low number of females who are owners of real estate;
• Reducing regional differences in employment and unemployment and preventing poverty in the north of Montenegro;
• Alignment of the education offer with the labour market needs and increasing labour supply quality;
• Elimination of all discriminatory provisions relating to the labour market, as recommended by the European Partnership and SAA, especially since vulnerable groups face special difficulties when entering labour market and therefore require special attention.

* * *
CHAPTER II

Panorama of the current employment policies
1. INTRODUCTION

Labour market is affected by a wide range of Government actions in the fields not only of employment policy, but also of education, social welfare, business regulation, taxation, etc. Therefore, one of the goals of the EU, in implementing the European Employment Strategy over recent years, has been to ensure that employment impacts are fully taken into account in the formulation of policy in these other fields. It is also particularly important that employment policies are consistent with and coordinated with the overall economic policy priorities of Governments. Bearing in mind strategic goal of GoM to become full EU member, it is of crucial importance on time understanding of the way in which these policies are regulated, what is their scope, effect on the targeted groups, overall society and so on. In this context, over the recent period, Montenegro has introduced numerous polices of the kind in order to cope with the problems still present on the Montenegrin labour market as well as to combat some new that might emerge due to the severe impact of the global economic downturn.

According to the above mentioned, this Chapter focuses on the following:

- Labour market flexibility and Employment protection legislation
- Human resources development
- Employment services and Active Labour Market Policies (ALMPs)
- Passive Labour Market Policies
- Social Welfare
- Income policy
- Equal opportunities policy
- Social Dialogue

It explores in more details the balance which is set between employee’s protection and flexibility on the labour market, the existing rules for entering and ending labour contract; the wage setting process (the minimum wage and its impact on overall wages); legal provisions regarding employee’s rights, as well as other aspects influencing the labour market performance – social insurance, taxation. This is all due to the fact that during the last decade labour market in Montenegro was characterized by a constant change and it went through transition process the same as the whole Montenegrin economy. With the start of the privatization process more than a decade ago, situation at the labour market changed since the property started to become private and companies that were state owned become privatized. Since the mind set and the rule of work differ between the private sector and Government, labour market needed to be reformed in the way that would suite more to the needs of the more efficient, private based economy rather than old fashioned state enterprises. Therefore, reforms have been undertaken in order to improve labour regulation in Montenegro and to make it more business friendly.
Greater flexibility of the labour market is sought, as well as increased security, i.e. flexicurity.

Overall, since the employment policy is one of the main pillars of the EU, from this viewpoint it is of the interest for Montenegro to, as soon as possible, align its employment policies with the EU policy. Currently, beside numerous Laws and other regulations, the GoM policy in the area of labour market and human resources stems from the EU guidelines and is based on the National Strategy for Employment and Development of Human Resources for the period 2007-2011 and the respective National Action Plan for Employment.

The main research techniques used for preparation of Chapter II were: desk research, focus groups, expert interviews and swot analysis. Desk research referred to the in depth analysis of the comprehensive legal framework and existing employment policies in Montenegro. Focus groups were very valuable tool in this part of the Study since they were organized to explore a people's views and experiences on a specific set of issues dealing with the current employment policies, their adequacy and future sustainability, as well as the key future employment policy challenges in Montenegro. This kind of the group interaction enabled ISSP research team to produce data and insights that would be less accessible without the interaction found in a group. Focus groups gathered about 20 individuals representing crucial labour market institutions in Montenegro, such as Ministry of Labour and Social Welfare, Employment Agency of Montenegro, Montenegro Business Alliance, Centre for Vocational Education and Training Centre, Private employment agencies, Association of Youth with Disabilities of Montenegro, Association of Paraplegics of Montenegro and others. Each focus group conducted typically took 90-120 minutes and included 7-10 people. The idea was to keep the group small enough to allow everyone to speak, but large enough to capture a range of views and experiences. Participants were chosen carefully and were fairly homogeneous with respect to race, ethnicity, language, literacy level, income, and gender. Participants from all 3 regions (south, central and north) were involved. Moderator of each focus group (from ISSP team) had questionnaire with the topics which had to be discussed during the session. Total of 3 focus groups was organized and about 25 -30 individuals were researched through this qualitative technique. Expert interviews turned out to be a kind of tool explaining practical implementation of Laws and other regulation on the labour market and they were used in all parts of Chapter III. Approximately 10 expert interviews with relevant stakeholders were conducted, such as representatives of (GoM) (Ministry of Labour and Social Welfare (MLSW), Employment Agency of Montenegro (EAM), Social Council, Vocational Education Centre, etc.), Union of Employers, Montenegro Business Alliance (MBA) and local NGO's.. SWOT analysis provided information about strengths, weaknesses, opportunities and threats related to employment policies in Montenegro. This is especially related to the assessment of the administrative capacity of Montenegrin labour market institutions to effectively implement employment policies, as well as to the assessment of employment policies implemented so far.
2. LABOUR MARKET FLEXIBILITY AND EMPLOYMENT PROTECTION LEGISLATION

Within the process of harmonization of the employment policy, Montenegro has aligned its strategic documents with the same documents and recommendations of the EU. Greater flexibility of the labour market and better safety are the main goals set in the legal framework. In Montenegro, the core Laws that are dealing with the employment and labour relations are the following:

- **The Labour Law** (Official Gazette of the RoM, No. 49/08, 26/2009);
- **General Collective Agreement (GCA)** (Official Gazette of the RoM 24/06);\(^{35}\)
- **The Law on Employment and Realization of Rights from Insurance against Unemployment** (Official Gazette of RoM, no 19/10);\(^{36}\)

The **Labour Law** regulates issues related to rights, duties and liabilities of employees and employers, as well as entire set of issues related to the labour contracts. **General Collective Agreement** deals with leaves and wage setting. The **Law on Employment and Realization of Rights from Insurance against Unemployment** regulates the process of employment and unemployment protection.

During the focus groups, representatives of the **Ministry of Labour and Social Welfare** highlighted the fact that over the recent period Montenegro has developed European standards in the field of the labour legislation. Such a legal basis provided preconditions for the development of the institutional framework.

2.1 Flexibility and security on the labour market - Flexicurity

After couple of years of negotiation, Government of Montenegro jointly with representatives of employers and trade unions prepared the **new Labour Law**, which is effective as of 23\(^{rd}\) August 2008. In this Law, the labour relations are regulated differently as compared to the old legislation. Namely, the solutions are adjusted to the ownership transformation and privatization process and, in that respect the old self-governing system had been repealed. The new Labour Law in Montenegro set much better balance between flexibility and security as compared with the previous regulations, especially in the case of the increased flexibility of the labour market. Flexible labour market is needed in Montenegro since it is an open economy. Due to that, Montenegrin labour market has to remain sufficiently flexible to absorb fluctuations in the business cycle. Namely, in the globalized and interconnected world, firms (foreign or domestic) compare the conditions across countries and weigh the relative advantages and disadvantages of a given country as their production site. One of the key elements that can tip a decision in one direction or another is the degree to which the labour market functions properly and is sufficiently flexible to adjust to changing circumstances.

\(^{35}\)It is elaborated in more details in the part of this Chapter dealing with the Wage policy.

\(^{36}\) It is elaborated in more details in the part of this Chapter dealing with the Unemployment Benefits.
Assessment of the labour market in Montenegro

The solutions in the new Labour Law have been based on the labour international standards, primarily on the provisions of the ratified International Labour Organization conventions, as well as the EC Social Charter and the fundamental worker rights. The Law is aligned with the Stabilization and Association Agreement (SEA), as well as with the European Convention on Human Rights and Fundamental Freedoms Protection, and the Universal Declaration on Human Rights.

The Law prescribes that all duties and responsibilities regarding the labour are defined by the Labour Law, General Collective Agreement and Labour Contract. It more precisely defines the prohibition of discrimination and the equality in employment treatment for men and women as well as in the selection of profession.

In Montenegro, all employees are equal in exercising the rights on labour. Discrimination of all kinds of the persons who are looking for employment, as well as the employed ones, is forbidden with regard to gender, birth, religion, pregnancy, nationality, language, disability, marital status, skin colour, political engagement etc. The Labour Law forbids harassment and sexual harassment at work or in connection with work, which is something that is new in the labour regulation. Also Law prohibits child labour. In Montenegro, job seeker can file a suit if he/she thinks that was discriminated in the process. Special protection is provided for the women, youth and disability persons. Namely, pregnant woman has a right to use paid leave for one year after child delivery and up to 45 days before.

In the eyes of private sector the new labour legislation is huge improvement.37 It is perceived as a good basis for doing business in Montenegro. New solution is more business friendly and adjusted to the conditions that are currently present at the Montenegrin labour market.

In Montenegro, employee has a right to:

- adequate wage, safety, trainings and other rights according to the Law and GCA;
- special safety measures for pregnant woman during birth and maternity leave;38

37 Prior to the adoption of the existing Labour Law, Montenegro had very conservative and protective Law. Private sector considered the old Law as one of the major barrier for doing business in Montenegro, since it was almost impossible to fire the worker and this was especially problematic with privatized companies with huge surplus of workers.

38 According to this Law, employer cannot refuse to conclude a work contract with pregnant women, or quit a contract due to pregnancy or maternity leave. In addition, employer cannot quit a work contract with a woman who works half of full work time if that woman takes care about child with disabilities. These measures are also related to the single parent who has a child younger than 7 years of age. Such a woman cannot be fired due to some technological, economic, or structural changes.

Based on medical instructions, a woman during pregnancy or maternity leave can be temporarily placed on some other job, if that will contribute to her health safety or safety of her child. An employed pregnant women or women who has child younger than three years of age cannot work longer than full work time or during night. Additionally, an employed pregnant woman has right on
Assessment of the labour market in Montenegro

- special safety measures for employees with need for extensive child care;
- special safety measures for employees under 18 years of age and employees with disabilities.

Once he/she hires a person, employer has an obligation to report employee immediately for pension, health and social insurance. Montenegrin social security system legislation includes all the areas of social insurance (pension and disability insurance, health insurance, insurance in case of unemployment; and the right to family cash benefits (child allowance)\(^{39}\)) that are covered by the Regulation No. 31971R1408 of the Council on the application of social security schemes to employed persons and their families moving within the Community, which represents a basic regulation of the European social legislation, as well as the Regulation No. 31972R0574 fixing the procedure for implementing the Regulation No. 31971R1408, and the Regulation No. 32003R0859 which expands the scope of application of the stated provisions.\(^{40}\)

The rights and liabilities of the employers and employees are defined, through the contractual labour relation. Every employee is obliged to sign the Labour Contract with the employer.\(^{41}\) Before signing a contract with employee, employer has to

maternity leave for 365 days from the day of child’s birth, but the part of maternity leave can be used during pregnancy.

\(^{39}\) The following categories are eligible for child allowance:
- children whose family is MOP beneficiary,
- child with physical, mental and sensor disorder which can be enabled for normal life and work,
- children with physical, mental and sensor disorder which cannot be enabled for normal life and work, and
- children without parents.

For this benefit are eligible only first three children in the family, while exception to this rule make multiple births after second child. Also children with physical, mental and sensor disorder, regardless to fact whether can on cannot be enabled to work, and children without parental care are all eligible for CA regardless to the number of children in a family. Monthly amount of this benefit set in the Law on Social and Child Protection ranged from 15 to 25 euros, however, since 2004 like in case of MOP benefit CA have increased in two occasions by 10%, so amounts are now as follows:
1) 18.2 € - for MOP beneficiaries;
2) 24.2€ - for child with physical, mental and sensor disorder which can be enabled for normal life and work

\(^{40}\) Montenegro is coordinating social insurance system with almost 30 countries and in doing so it applies conventions on social insurance in compliance with the decision of the Parliament (according to which Montenegro has taken the international treaties and agreements which have been concluded by the State Union of Serbia and Montenegro and which are in compliance with its legal system) and signs new treaties that it has concluded as an independent state. These are in compliance with the Regulation No. 31971R1408. Most of the treaties are also applied to the refugees and stateless persons in terms of the Geneva Convention. Other treaties are based on the insurance principle, which means that they are applied to all the persons who are or were covered by the legislation of the treaty parties, and to the members of their families.

\(^{41}\) Labour Contract has to contain the following: name and the address of employer; name and surname of the employee and address; unique ID number of employee, or other document in case of foreigner; level of education of employee; type of work that needs to be done; place of work;
Assessment of the labour market in Montenegro

announce need for that position at institution whose main job is advocacy between unemployed persons and employers. That necessarily does not need to be Employment Agency of Montenegro (EAM).

Labour Contract might be concluded for fixed time or indefinite time. Labour contract not precising time period of its duration is perceived to be indefinite labour contract. Employee that has signed fixed time contract has the same rights, duties and liabilities as the employee who signed labour contract for indefinite time. Fixed time contract is transformed to the indefinite time contract if employee continues to work at least 10 working days, after expiration of the time period for which labour contract was signed, and also if employer give his/hers permission to such kind of employment. Also, since the adoption of the new Labour Law fixed term contracts are not prohibited for permanent tasks as they were according to the old Law.

In Montenegro, the following types of Labour Contract may be concluded:

- Labour Contract for director;
- Labour Contract for foreigner;
- Labour Contract for impartial work;
- Labour Contract for home jobs;
- Labour Contract for increased risks;
- Labour Contract for director;

The Labour Contract ends: (i) by the Law; (ii) by the Agreement between employer and employee; (iii) by the cancelation of the Labour contract either by employer or employee. Labour Contract might be ended in the case some of the following conditions are met:

- 65 years of age and minimum 15 years of work;
- loss of work ability;
- court decision that prohibits employee to do certain jobs;
- jail sentence longer than 6 months;
- bankruptcy of liquidation of the company

Employer and employee can mutually agree to end Labour contract in the written form.

Something which is new in the labour regulation in Montenegro is the so called Annex to the Labour Contract. This Annex allows both to the employer and employee more flexibility in defining mutual relations. Annex can regulate the following:

- transfer of the employee to other position due to the process and organization of work;
- duration (defined or not defined); duration (if contract is time defined); day of start; work time (full, partially); gross wage; terms of salary payment; usage of breaks during work, holidays etc.
Assessment of the labour market in Montenegro

- transfer of the employee to the other position within same employer (transfer to the other city);
- employee can be sent for a work to another employer, if he/she agrees on that.
- changes in the level of wages, coefficients, contributions, daily and weekly working hours, etc.

Work week in Montenegro is defined at 40 hours full time work in a working week with possibility to prolong it or shorten it due to the certain conditions. This is in accordance with the Directive 32003L0088. The competent state organ or a local self-government organ makes the decision about the work time schedule, its start and end in certain activities and jobs.

Protection of employees is guaranteed with the fact that employee has a right to the rest. This right is as follows:

(a) 30 minutes of a daily rest during the work time;
(b) minimum 12 hours of rest between two working days;
(c) weekly rest of 24 hours;
(d) holiday of minimum 18 working days.

Additionally, employee has the right to the paid and unpaid leave due to the personal needs, religious holidays, health needs, etc. Also, employee has the right to the minimal wage for standard work and full working time.42

If the employer figures out that due to the technological, economic and restructuring changes in a period of 30 days there will be a need to fire employees, he/she immediately needs to inform trade union, employer representatives and EAM. This is crucial in the period of economic crisis in Montenegro since there could be some dismissals of the employees. Number of employees that can be fired depends on the company’s number of employees is defined by the Labour Law in the following way:

- 10 employees with employer that has more than 20 and less than 100 employees;
- 10% of the employees with employer that has more than 100 and less than 300 employees;
- 30 employees with employer that has more than 300 employers.

If the employee is fired and he/she cannot fit in some restructuring program or process, employer needs to pay dismissal wage at the amount of six average wages in Montenegro. Empirical evidence suggests that over the recent period this was obeyed only in the case of employees from privatized companies and some state owned companies, with just a few exemptions from the side of the private sector. Also in the case of bankruptcy, employee has the rights to all the receivables by the Law (unpaid salaries, contributions etc).

---

42 More on minimal wage within part on GCA.
Assessment of the labour market in Montenegro

If the employee considers that his/hers rights are infringed, he/she has the right to protect them in front of the: (i) employer; (ii) court; (iii) alternative disputes committee; and (iv) labour inspectorate. On the other side, in the case when employee infringes working obligations, he/she can be punished with:

- **dismissal**, in case of severe infringement of work obligations, and
- **money charge**, in case of mild infringement of work obligations.

New regulation is providing more options to the employer to dismiss the employee, which was not the case with the previous labour legislation and due to that private sector has been making a lot of complaints. Now, there is the whole set of the following norms enabling employer to fire a worker:\(^\text{43}\):

- if the employee declines to work on designated work place or declines to do his/hers work duties;
- if the employee does not obey work discipline;
- by the end of the period (with fixed term contracts);
- if the employee is under influence of alcohol or drugs or use them extensively;
- if the employees unjustified miss from work 5 days in a row or 7 days within 3 months period;
- if the employee does not react or sign the offered Annex;
- if the employee does not show requested skills during probation;\(^\text{44}\)
- if the employee is offered one of the rights for the surplus workers;
- if the employee works for competition (illegal competition).

Additional flexible feature of the Montenegrin labour market is connected with the adoption of the Law on Employment and Work of Foreigners\(^\text{45}\) (“Official Gazette of the RoM”, No. 22/08), that came into power as of 1\(^{\text{st}}\) January 2009. For Montenegro which is faced with huge inflow of foreign workers, this Law represents very important legal act. Namely, over the past few years Montenegro has started economic reforms and especially as of 2006 synergetic effect of both economic and political stability have generated an economic boom (average GDP real growth rate of 9.2% in period 2006-2008) and especially development of the sectors such as tourism and construction. New business opportunities, new jobs opening and high FDIs highlighted the need for foreign labour force in vocations that are either lacking in Montenegro or not enough appealing to the domestic labour force. Therefore,

\(^{43}\) Cancelation period is 15 days.

\(^{44}\) Probation work is possible for the period up to 6 months, except for the merchant navy where it lasts as long as the ship return to the mother port.

\(^{45}\) This Law is in compliance with the following Acquis regulations: Regulation (EEC) No. 31968R1612 of the Council on freedom of movement for workers within the Community, Regulation (EEC) No. 31992R2434 (1) of the Council on freedom of movement for workers within the Community, and Directive No. 32004L038 which is an amendment to the Regulation (EEC) No. 31968R1612 and which abolishes the previous regulations.
workforce was imported from abroad (majority from neighbouring countries, such as: Serbia, Federation of Bosnia and Herzegovina and FYRM).

In Montenegro foreigners can work and be employed in compliance with the Law on Employment and Work of Foreigners, GCA, ratified international treaties, and generally accepted rules of international law, under the following sections: cross-border services, additional training of foreigners in Montenegrin company, movement of persons within a foreign company, and provision of contracted services. The Law on Employment and Work of Foreigners brings the innovations regarding the procedure of obtaining a temporary stay approval for employment and work, as well as for performing an economic or entrepreneurship activity. The employment procedure for foreigners depends on whether a foreigner has a permanent residence permit or temporary residence permit in Montenegro.46

Foreigners can work in Montenegro if they have: (i) personal working permit; (ii) employment permit; (iii) working permit. Every issue related to the working permits, such as acceptance, decline and cancelation of working permit falls within the jurisdiction of EAM. The job application is submitted by the employer, while in the case of a permanent resident, the job application is submitted by the person him/herself.47

Montenegro introduced quota system for the employment of foreigners.48 Each year quota is defined at the other level. Government of Montenegro precise the number of working permits for foreigners. The rule is that until October 31st of the current year Government needs to determinate number of working permits for foreigners for the following year. According to the Decree on setting the number of working permits for 2009, the quota is set to 39,450.

EAM has showed to be completely ready for the full implementation of the Law on Employment and Work of Foreigners. Entire set of procedures are fully obeyed and in the short term fulfilled. In the course of 24 hours, employer gets working permit

46 This Law does not regulate the employment issues of diplomatic persons in Montenegro, as well as all other persons who perform the work in Montenegro on basis of some international contract.
47 The Law on Employment and Work of Foreigners was marked by the private sector as a barrier for doing business since it came into the force in the period of economic crisis and since the procedure for employing foreigners is too complicated. For example, in order to employ foreigner, employer needs to submit verified diploma of the employee. Since this is a long process and in order to avoid it, employers are registering employees just with elementary school since verified diploma in that case is not needed. But, this Law is still new and future trends will show its influence on the entire labour market in Montenegro.
48 The Law on Foreigners, adopted during 2008, which is within the jurisdiction of the Ministry of Internal Affairs and Public Administration, defines the procedure for determining the quotas within the Law on Employment and Work of Foreigners. This Law regulates the rules of temporary residence for the purposes of employment and work, and for economic and entrepreneurial business. This Law makes the issuance of the temporary residence licence conditional on the previous issuance of a work permit for foreigners, which is in charge of EAM. It could be mentioned in this respect that the refugee status is governed by the Law on Asylum and the Law on Foreigners.
Assessment of the labour market in Montenegro

for the foreigner he/she wants to employ. In order to reduce time consuming procedure, in this regard EAM has increased the number of staff in its bureaus.

2.2 Employment Protection Legislation

In Montenegro, the employment, insurance in case of unemployment, the rights of the unemployed persons and the procedure for the realization of those rights, the way of providing funds and other issues important for employment are regulated by the Law on Employment and Realization of Rights from Insurance against Unemployment ("Official Gazette of Montenegro", No. 19/10). This Law sets up employment process and unemployment benefits, that is the right to an allowance depending on the time spent at work. The Law on Employment and Realization of Rights from Insurance against Unemployment is aligned with the principles of the employment policy from the Treaty on European Union, Treaty from Amsterdam, Council Decisions on guidelines for the employment policy, Employment Strategy from Luxemburg. In addition to that, Law is aligned with the liabilities and standards from the ILO Conventions, Convention No. 102 on the minimal standard of social security, Convention No. 88 on Agency for Employment, Convention No. 122 on Employment Policy, Convention NO. 144 on Tripartite Consultations, Convention No. 168 on Promotion of Employment and Protection against Unemployment and Convention No. 181 on Private agencies for Employment. Contrary to the previous Law on Employment that ceased to be in force as of the day when this new Law was put into force, the new Law on Employment and Realization of Rights from Insurance against Unemployment is completely harmonized with the Lisbon’s Integrated Guidelines for Growth and Jobs.

The Law on Strike allows employees in Montenegro to use strike as a legal way of exercising their social and economic rights, however, in the framework of the rules of conduct of the subjects participating in it or being directly affected by it set within the Law. Namely, legislation is defined in the way that does not encourage the organizing a strike. Therefore, strikes are not manifested as unorganized phenomena which could not have solve the problems and causes they resulted from and they would inflict great harm to the employees (both those who participate and those who don't participate in a strike) as well as to the employers and to the wider community.

Every employee in Montenegrin companies is free to decide whether to participate in strike. Those employees who organize strike are obliged to create specific Decision on that, containing the following:

- Requests of the employees;
- Time of when the strike will start;
- Location of the strike;
- Manner to run the strike, as well as the strike committee, which represents interests of employees and runs the strike on behalf of them.
Assessment of the labour market in Montenegro

Employees which are involved in strike:

- Shall not represent a violation of work duty, cannot be a ground for initiation of the procedure for determining disciplinary and material liability of the employee, for removing the employee from work and cannot have, as a consequence, termination of employee's employment;
- Shall not be entitled to a wage;
- Have to finish minimum work process, and also to be paid in proportion to the time spent at work.
- During the strike employees shall be entitled to social insurance.

Obligations of employers are as follows:

- During the strike they can’t employ the new labour force;
- An employer cannot prevent the employees from organizing and participating in a strike, and use threats and coercion for ending a strike.

According to the Article 8 of the Law on Strike, the strike ends with the decision made by employees that decided to strike.

The Ministry of Labour and Social Welfare, through the labour inspection, supervises whether all rights were obeyed during the organization of strike. An employer, strike committee, trade union representative, and employee shall be obliged to enable a labour inspector to perform supervision.

During the recent past as well as in the current moment, strikes have been used as an instrument for reaching the goals of employees. This has been especially related to the financial needs of employees related to the situations when payment of salaries was delayed due to the financial problems of certain companies. Namely, in Montenegro trade unions are quite powerful and have a strong culture of strikes, and, on the other hand, employers’ associations are young.

Protection on work is being provided and carried out in line with Law on Protection at Work and International Conventions, through application of modern technical, health (medical), ergonomic, social, organisational and other measures and instruments for protection on work, removing risks from injuries and damages of health or reducing them in procedures on the regulated level. The employee’s protection on work is guaranteed by the Law on Protection at Work, whose Amendment was adopted in April 2010 and that regulates, in the modern way, the entire set of issues that make the system of protection at work, as well as the relations within that system. Namely, it determines the rights, duties and liabilities of the employers in providing, implementing and improving protection on work. According to this Law, the protection at work has been regulated uniquely for all the categories of employees, that work on the territory of Montenegro at local and national level, foreign legal and physical entities, public authorities, i.e. local community units, employees directed on the work abroad, if regulations of the
county of work are less favourable considering protection on work in relation to those stated in this Law, as well as on all other persons that participate in working processes or are present in the working process and working environment, if separate Law does not regulate differently.49

Previous and periodical inspections and examinations of buildings, technological processes and working instruments, are being performed in order to provide quality of effectuated works and work during realisation of working process, according to regulations.

Previous and periodical medical examinations of employees are being taken over in order to eliminate or reduce on approved values causes of illnesses and health damages related to work.

Employer provides protection at work to the pupils, students when performing mandatory production work, professional practice or practical education, persons that are on professional rehabilitation and those that are volunteers. Subject who perform professional training, pre-qualification and additional qualification is obliged to provide protection at work to the persons involved in such programs. Agency for execution of criminal sanctions provides protection at work to the persons who, when in jail, are obliged to execute certain activities. Organizer of works, actions and competition should provide protection at work to the persons at the voluntary and public works organized in public interest, working actions and competitions.

The novelty in this Law is that employer is obliged to provide employees with tools for work only if authorized organization (legal or physical entity with the authority to perform professional activities in the field of protection at work in accordance with this Law) gives him professional finding or Report on conducted inspections and examinations, with the assessment that they meet prescribed measures for protection at work.

Employer, who has more than 20 employees, regulates protection at work through his General Act and is obliged to inform employees about its contents. In General Act, employer is obliged, in line with the Law, to regulate in more details: measures for protection at work and ways of carrying out them, and particularly rights, obligations and responsibilities of all employees, way of carrying out professional tasks related to protection at work, way for determining and checking health condition of employees who work on jobs having special working conditions, and other employees, way of training and checking training results of employees for safe work, use of instruments and equipment for personal protection and other issues important for protection at work. Employer who has less than 20 employees is obliged to regulate this in Labour Contract.

49 The Law is aligned with the general Council Directive 31989L0391 on introducing measures for stimulating improvement of worker safety and health, and it also includes the provisions from the ILO conventions. Besides the Law on Protection at Work, safety at work has been also regulated by the collective agreements (general, branch and individual) and by-Laws.
Assessment of the labour market in Montenegro

Employer is obliged to issue *Act on Risk Estimation* for all working positions and to determine way and measures for eliminating risk. In the case of every new danger and changed level of existing risk in the working process, employer is obliged to adapt accordingly the *Act on Risk Estimation*.

Employers are obliged to obey the rules and protection measures prescribed by the Law in order to obtain safe working conditions. Employer has an obligation to organize education, medical treatments, and protective equipment for employees that are working at the working places with special conditions and higher risk for their safety and health. In addition to that, employers have to provide all the information on the risk for each position in the company.

Employer is obliged to provide medical examination for employees, and particularly for employees who are assigned on working positions, i.e. jobs with special conditions for work, and in cases of hiring again employee who was out of work more than one year. If during medical examinations, doctor determines that employee does not meet health criteria for performing certain kind of job, employer has an obligation to transfer him/her to the other working place.

When contracting work, relocating employee on different jobs, introducing new technologies or new instruments for work, changing working process and allocating employee on work position after absence longer than one year, employer is obliged to realise training for safe work for employee. Employer is obliged to develop training program related to safety on work for employees, in line with estimation of risk on working place as well as to, when needed, change and renew its contents depending on introduction of new working processes, new technologies and instruments for work. During training for safe work, employer is obliged to inform employee about all types of dangers on jobs where employee is assigned, as well as about particular measures for protection on work, which are necessary for eliminating dangers for life, i.e. health damages. Employer is not allowed to assign employee to work on working positions with special working conditions, if he/she had not previously determine that employee fulfils conditions according to regulations.

Employer is obliged to give to an employee to use instruments and equipment for personal protection on work. Also, he is obliged to determine measures related to offering first aid, extinguishing fire and evacuation of employees, depending on type of working position and activity, as well as on number of employees and presence of other persons. Employer is obliged to provide mandatory insurance for employees for injuries on work, professional diseases and diseases related to work.

Employer and employee, i.e. their representatives and representatives of Trade Union are obliged to cooperate in procedure of determining their rights, obligations and responsibilities that derive from the Law.
Assessment of the labour market in Montenegro

Before starting to work, employee has right and obligation to be informed about measures related to protection at work for working position he is assigned to, as well as to be trained in order to implement them.

Employee, who works on jobs with higher risk, has right and obligation to carry out medical examination on which employer directs him, in line with special regulations on health protection.\(^{50}\)

Employee is obliged to:

- apply, during work, measures for protection at work according to regulations, use properly instruments for work and instruments and equipment for personal protection on work, cooperate with employer and professional person responsible for protection on work;
- in line with own information, immediately inform employer in written or in oral, through his representatives, about irregularities, faults, harmfulness, dangers or other occurrences that could endanger his safety and health, or safety and health of other employees on working place.\(^{51}\)

Employer is obliged, at least once a year, to prepare Report about protection at work of employees, which shall be discussed on administrative bodies together with business reports. Employer is obliged, according to demand of Labour Inspector, to provide report on situation related to protection at work of employees, as well as about measures in this field realised at employer. Employer is obliged immediately and at least within 24 hours from case, to inform in written Labour Inspection about lethal injury at work, collective injury at work and severe injury at work, as well as dangerous phenomena that could endanger safety and health of employees.

Still, in Montenegro many companies are not informed about the Law and what does it regulate. This means that a lot has to be done in the field of informing both employers and employees about the organization of work which enables the work

---

\(^{50}\) Employee has right to refuse to work if:
- he/she was not previously informed about all dangers or harmfulness, i.e. risks on work, or if employer did not provide for him/her medical examination according to regulations;
- he/she is exposed to direct danger for his/hers life and health because measures for protection on work on working position where he/she was assigned were not in use according to regulations, until those measures are provided;
- on working instruments are not applied measures for protection at work according to regulations, and in that way safety and health at work is directly endangered.

When employee refuses to work, and employer considers that such demand of employee is not justified, employer is obliged to inform immediately Labour Inspection.

\(^{51}\) If employer, after having received these information, does not remove irregularities, harmfulness, dangers or other occurrences within three days, or if employee considers that for removal of determined circumstances have not been implemented adequate measures for protection at work, he/she can demand intervention of Labour Inspection and inform about that professional person responsible for protection at work.
activities to be carried out with no risk to health, while providing the use of work time in a way which enables the employers to perform work process.\textsuperscript{52}

In order to avoid long court processes, in December 2007, Government of Montenegro adopted the \textit{The Law on Peaceful Resolution of the Labour Disputes} (Official Gazette of the RoM, No. 16/07).\textsuperscript{53} The Law prescribes establishment of the \textit{Agency for Peaceful Resolution of the Labour Disputes} in charge of resolving both individual and collective disputes out of court. The logic behind this has been the establishment of the procedure for peaceful resolution of collective and individual industrial disputes, if the parties have started litigation or if they have not done that yet, as well as to laying down the rights and duties of the mediators. Since in Montenegro this process is still in evolution, all stakeholders (Government, employers and trade unions) are obliged to be further educated and to raise own awareness on this issue.

Finally, Montenegrin nationals who abroad are also protected by the \textit{Law on Protection of the Republic of Montenegro nationals at work abroad} that regulates the procedure of employment with the foreign employers and protection of the Republic of Montenegro nationals’ family members.\textsuperscript{54}

Regulatory framework is supplemented with very important strategies which are useful for the improvement of labour market regulation in Montenegro. The main strategies are as follows:

- \textit{The Active Employment Measures Program}.\textsuperscript{55}

\textsuperscript{52} Further harmonization of the protection at work field with the decisions from Council Directives is planed for 2011. The strengthening of the safety and health at work policy will also continue within the state support, whose control will be established in line with the requests of the SAA.


\textsuperscript{54} This Law is harmonized with the International contract on employment, social insurance, migrations and scientific – technical, educational – cultural, and other kinds of cooperation, and other contracts on employment and social insurance and, also, partially harmonized with the Council Directive 2000/78/EC.

\textsuperscript{55} It was also planed preparation of the \textit{Study of undeclared labour and non-resident workforce in Montenegro}. The Study would point to the possibility of decreasing the work in the grey economy,
3. HUMAN RESOURCES DEVELOPMENT

Education is the key factor for development on the successful path to a society of knowledge and the knowledge-based economy. High quality of education system is important both for individuals and society. The key goal of the education system of every country is to provide every individual with the possibility to develop through knowledge, skills and competences which will enable him or her to learn and have personal development, satisfaction and advancement throughout his or her life, as well as to ensure own participation in the labour market, easier employability and prevention of social exclusion.

In line with the Lisbon Agenda, creation of the knowledge-based society has an important place both in strategic and in development-related documents in Montenegro. With the aim of applying and developing the system consistently, the following new Laws were passed:

- **The Law on National Vocational Qualifications**,  
- **The General Law on Education** (Official Gazette of the RoM 64/02, 31/05 and 49/07),  
- **The Law on Vocational Education** (Official Gazette, No. 64/02, No. 49/07),  
- **The Law on Higher Education** (Official Gazette, No. 64/02, No. 60/03),  
- **The Law on Adult Education**, (Official Gazette of the RoM 64/02 and 49/07), and  
- **The Law on Recognition of Education Qualifications** (Official Gazette of RoM, No. 4/08),  
- **The Law on Science and Research Activity**.

*The Law on National Vocational Qualifications* regulates conditions, the manner and the procedure for acquiring national vocational qualifications, as well as competencies of institutions, authorities and bodies in the process of acquiring certificates. The Ministry of Education and Science is in charge of mutual recognition of professional qualifications. This Law defines the terms and procedure for acquiring national vocational qualifications, certificates, institutional infrastructure of the certification system, competencies of technical bodies, catalogues of the vocational knowledge standards and skills for acquiring national qualifications, application procedure for the testing of knowledge and skills, register keeping of the issued national certificates, procedure for filing complaints and hearing complaints of the candidates, and the supervision over the legality of work of the procedure implementers.

The Law also regulates procedure of application of candidates, terms for the organizers of education, that is organizers of control, licensing, exam commission, exam catalogues of vocational knowledge, skills and competencies. It is clearly identified the role of the Ministry of Labour and Social Welfare when it comes to the

where the number of the unemployed in the EAM records would reduce, as well as the unemployment rate, and the social allowances would be redirected towards those who really need support.
Assessment of the labour market in Montenegro

issue of certificates, keeping of registers, the role of social partners, content and competencies of the National Commission, protection of rights of candidates, control over the legality of procedure of certificate acquisition, etc.

Adoption of this Law significantly advance and make more faster procedure of obtaining vocational qualifications, that is crucial skills that are necessary for the labour market and which will have impact on the planning of human resources and improvement of the qualification structure of population. At the same time, the lower price and the shorter time are needed for obtaining national vocational qualification. With this Law, the principle of the equal access to the vocational education and training is guaranteed and the same qualification can be obtained in different ways. In the other words, the same qualification can be obtained both by youth and adults. In this way, this Law achieves the goal that everybody has to be offered possibility of education. This is due to the fact that for one country the most expensive is the individual without qualification, who is not engaged on the labour market.

In Montenegro, it is recognized the fact that a lot of knowledge does not fit to the modern requirements of the labour market and that the only way of bridging that gap is promotion of »learning society« and that is inclusion of adults in the process of life-long learning. Also, it is allowed for persons who broke their education and did not acquire qualification, to be included in the system of education and training and recognition of the previously acquired knowledge, skills and competencies.

Through regulation of certificate system, necessary connection, comparison, recognition and valorisation of knowledge, skills and competencies gained via different forms of education (formal, non-formal and informal), is set. Hence, vocational qualifications, whose acknowledgement is certificate, and which are gained in accordance with this Law, have the same importance at the labour market as vocational qualifications gained in the formal system of vocational education, since they are based on the same standard of vocation. By conducting prescribed procedures of control, confirmation, that is valorisation and recognition of the education outcomes (knowledge, skills and competencies), officially, through the activities of accredited subjects, the achieved level of knowledge, skills and competencies that allows for obtaining certificates, is verified.

Prior adoption of this Law, system of vocational education was not completed and control of quality of issued certificates and other licences was not provided, and, thus, majority of them was not recognized at the national level. In other words, the important element of this Law is to ensure quality, both in the education process and in the process of control and confirmation of knowledge, skills and competencies. Continuity in the follow up and evaluation of the procedure of acquiring nationally recognized vocational qualifications represents basis for transparency of procedure and quality of recognized vocational qualifications. Also, the implementation of this Law provides for certificates recognized at the national level to be recognized and valorised at the European level, as well.
Assessment of the labour market in Montenegro

The implementation of this Law and development of vocational qualifications is monitored by the National Commission for Vocational Qualifications. In addition to that, this Commission also gives recommendations and guidelines to competent institutions for the advancement of the process of obtaining vocational qualification and strengthening of the professional capacities in pursuing this policy.

The Law on National Vocational Qualifications completely incorporated European guidelines in this field in included them in the Law, and this will be of great importance when it comes to the recognition and confirmation of certificates at the European level.

In order to ensure legal implementation of procedure, penalties are envisaged both for institution and responsible person in it. The crucial point in the entire system is, definitely, certificate, based on the standard of knowledge. Certificate is the publicly valid licence which confirms that a person has acquired certain nationally recognized vocational qualification by the means of confirmation, valorisation of non-formally and informally acquired knowledge, skills and competencies, at the authorized body.

The Law on Recognition of Education Qualifications governs the competent bodies, the criteria and procedure for the evaluation and recognition of education qualifications acquired abroad, and the evaluation of education qualifications acquired in Montenegro. This Law is based on the Lisbon Convention on the Recognition of Qualifications concerning Higher Education in the European Region. The Lisbon Convention on the Recognition of Qualifications concerning Higher Education was ratified in the Serbia and Montenegro Parliament in March 2004, but the ratification remained valid even after Montenegro had gained its independence.

According to it, Montenegro should recognize the acquired qualifications similar to those acquired in the national education system, except in cases when it can be proved that there are significant differences between the domestic and foreign qualifications. The recognition makes possible the use of academic titles and makes access the labour market easier. Consequently, Montenegro established the organizational unit the National Information Centre ENIC Centre, within the Ministry of Education and Science, which recognizes, foreign education qualifications relating to higher education for the purpose of employment.

As far as the Strategies in this field are concerned, GoM adopted the following ones:

- Strategy for Development of Vocational Education (2010-2014),
- Strategy for Science and Research Activity of Montenegro (2008-2016),
- Strategy of Inclusive Education
- Strategy for Improvement of RAE population in Montenegro (2008-2012),
- Strategy for Civil Education (2007-2010),
- Strategy for Adult Education.

The relevant department of the Ministry of Education and Science recognizes the foreign education qualifications in the acquired elementary, general secondary and vocational secondary education, and partial education for the purpose of employment. The Law has been developed within the Tempus Project "Development of ENIC Centre in Montenegro".
3.1 Workforce Skills Development in Montenegro

Regarding the workforce skills development in Montenegro, the Montenegrin authorities adopted the National Employment Strategy for the period 2007-2010. This Strategy is focused on increase of productivity and work quality, which assumes fixing workforce quality and tweaking the education system to better suit labour market needs.

The National Employment Strategy for the period 2007-2010 sets the goals similar to those in developed market economies, such as increase of employment of population, enhancement of entrepreneurship and entrepreneurship awareness, encouragement of both individuals and enterprises adjustability and the equal employment possibilities. The Strategy sets the following nine goals in the spirit of the Lisbon Employment Strategy:

1. reduction of long-term unemployment at the level of 45%;
2. inclusion in active employment programs all young unemployed who didn’t find employment within 9 months from the beginning of unemployment;
3. matching labour supply and labour demand and increase of the quality of labour supply;
4. development of special programs and specialized providers for work with “hard to employ people”;
5. reduction of regional differences in employment and unemployment;
6. annual employment rate in the interval 2,5%-3%;
7. reduction of unemployment rate to 8%-10%;
8. reduction of work in the grey economy;
9. fostering labour mobility.

Since the main goal of this Strategy is resolving problems on the labour market in Montenegro, aforementioned goals are defined as the most important in the following period. The Strategy provides information basis on what kind of polices can be useful for their achievement. Strategy prescribes that the best policy is combination of independent measures at the labour market, fiscal incentives, promotion of development of SMEs, measures for improvement of qualification of active population in Montenegro and measures for equal access to employment for every part of Montenegrin society.

The main measures for resolving the problems at the labour market according to the National Employment Strategy for the period 2007-2010 are as follows:

- job search assistance and prevention of long term unemployment\(^\text{57}\);
- employment of trainees;
- increase of public work;

\(^{57}\) This is very important part of these measures in terms of early identification of all job seekers needs and creation of the national career guidance strategy.
Assessment of the labour market in Montenegro

- new programs for redundancies;
- fostering entrepreneurship;
- fostering human resources and life-long learning development.

The Strategy also defines measures related to gender equality at the labour market as well as measures related to fight against discrimination. There is huge number of preconditions for implementation of this Strategy. The first and foremost is harmonization of national legislation with the EU standards and legislation as well as implementation of active employment policies. The main focus of this Strategy is implementation of common EU employment policy guidelines from 2003 (and guidelines adopted in 2005) which will be mandatory once when Montenegro joins EU.

The Ministry of Labour and Social Welfare in cooperation with other ministries and institutions developed a uniform system of monitoring the implementation of above mentioned specific measures defined by the Strategy. Also, implementation of this Strategy is followed by National Employment Action Plan, covering 2008-2009, which is adopted by the Government of Montenegro and with the Common Guidelines of the European Union Employment Policy. The National Employment Action Plan for two years period specifies dimensions and sets the dynamics for the implementation of the existing measures stipulated by the Strategy. This document defines specific measures regarding the goals that are set in National Employment Strategy. These measures are related to timelines, budget allocations etc. At the same time the Human Resources Development Initiative for 2007-2011, was adopted.

During 2008, GoM adopted revised National Strategy for Employment and Human Resources Development 2007-2011. The basic goal of this document is the increase of the quality of employment in Montenegro. It is believed that crucial moments in achieving this goal are improved conditions for new jobs opening as well as investments in the human capital development. The document in more precise manner defines the priorities and directions for Montenegro in order to be ready to the competitiveness at the EU market, and first of all in order to create safe and favourable working conditions and professional development of Montenegrin workforce.

This Strategy is direct continuation of the National Employment Strategy which was adopted in 2007. The Strategy was updated in accordance to the SAA, especially those parts related to the preparations for Montenegro’s participation in the integrated socio-economic EU policies and adopting Acquis Communautaire (the latest guidelines for EU employment from 2005). The Strategy is completely

---

58 The new ‘National Action Plan for Employment,’ to cover 2010-2011, is prepared.
Assessment of the labour market in Montenegro


The new National Strategy for employment and human resource development for the period after 2011 will be prepared during the course of next year. That Strategy will be harmonized with EU documents and legislations which are related to employment policies and labour market.

Beside abovementioned, the following documents are created and adopted:

- **Strategy for human resource development in a tourism sector of Montenegro**
- **Strategy for Life-Long Entrepreneurship Learning**, and the
- **The White Book – Human Resources Development in Montenegro until 2017**

The Strategy for Human Resource Development in a Tourism Sector of Montenegro is focused on the heightening of tourism competitiveness in Montenegro by diversifying and heightening tourism-related qualities. Both, the high level of education and the high level of professionalism in the workforce are needed in order to achieve such a goal. Along with this Strategy, the Council for the Implementation of the Strategy for Human Resource Development in the Tourism Sector of Montenegro was created. This body is consisted of several representatives coming from relevant ministries, high schools, tourism unions, the Centre for Professional Education etc.

In 2008, the Ministry for Economic Development, together with the Directorate of Small and Medium-sized Enterprises61 created the **Strategy for Life-Long Entrepreneurship Learning**, which was initiated along with the National Strategy for Employment and Human Resources Development 2007-2011. The **Strategy for Life-Long Entrepreneurship Learning** is focused on the development of human capital.

The **White Book – Human Resources Development in Montenegro until 2017** (created by the Ministry of Labour and Social Affairs), is an informational document initiating the discussion at the national level on the comprehensive approach to

60 Having in mind the suggested solutions from the Revised Strategy of Employment and Human Resources Development 2007-2011, CIPS (Centre for professional information and counselling) in several municipalities of Montenegro was opened. The Centres work on counselling and professional directing of the young people, offering information on the employment opportunities at the national and international level, and improving the self-assessment of the users’ professional interests.

61 This had CARDS technical support.
human resources development. The White Book for Human Resources Development in Montenegro identifies the main challenges and provides suggestions for improvements that are related to the both labour supply and labour demand and also sets out a path and future direction for human resource development. One of the White Book recommendations is the drafting the National Strategy for Human Resources development. The White Book includes the modern European views of the lifelong learning and human resources development and it contains numerous recommendations which follow the tripartite conclusions and analyses of the current situation of all the interest groups in Montenegro.

The inclusiveness of the process of strategy formulation is such that there is a comprehensive coordination within the ministries, and that coordination is integral to the process of strategy development and delivery. Consultations with external stakeholders for all above mentioned documents are held. Numerous institutions were supervisors and they monitored the implementation of education, training and labour market policy.

Although educational system in Montenegro had experienced significant improvements over the recent period, there is still no specific strategy on teacher recruitment and retention. This is very important issue, especially if it is known that teachers‘ quality is an important factor for the outcomes that students are supposed to produce. However, the *System for Professional Development of Teachers* is enacted in preschools, as well as primary and secondary schools. The *System for Professional Development of Teachers* includes the following:

- professional development that is school-based, notably a two-year plan of professional development that is school-based and individually-based;
- a system of promoted posts;
- a national appraisal system;
- mentoring to new teachers and student-teachers;
- a catalogue of training programs;
- training of trainers, school self-evaluation, teachers‘ portfolios, as well as standards for teachers and promoted post-holders.

Currently, the *Strategy for Continuous Professional Development of Teachers* is under preparation. This document should cover the period 2010-2014. The continuous professional development of teachers is supported by education institutions. In Montenegro, it is recognized the fact that teacher training programs are necessary for the upgrade of professional and pedagogical skills. Since 2004, more than one thousand teachers passed modules within training programs.

3.1.1 Link of the Strategies for education with the concept of lifelong learning

---

62 Due to the support of the Department for CPD (via the Bureau for Education Services).
63 Particularly, accreditation for teacher-education programs.
Assessment of the labour market in Montenegro

Field of education and learning in Montenegro and its relationship with other legal and strategic documents is governed by the set of laws on education and training. In Montenegro, there is no special strategy for lifelong learning, but as the importance of lifelong learning and the importance of accepting the idea of "learning society" are recognized, the amended the Law on Adult Education, sets out the principle of lifelong learning as one of the fundamental principles, while one of the stated goals is related to the increase of the level of the functional literacy of citizens. The goals listed in the Law on Adult Education, Strategy for Adult Education, the Plan for Adult Education and other important documents, involve continuous learning and improvement, and thereby accept the concept of lifelong learning.

In December 2009 the Government of Montenegro adopted the Strategy for Development of Vocational Education (2010-2014), which was the basis for the creation of the Action Plan for the implementation of this strategy. In making these strategic documents, the existing strategic documents in various fields have been fully taken into consideration, because strategy follows the priorities and needs of the economy, the individuals and society, respecting the tradition and the level achieved in the development of its educational system, as well as recommendations expressed in national strategic documents and documents of relevant international organizations and bodies.

The main objectives of the Strategy for Development of Vocational Education are related to provision of conditions for making real lifelong learning and mobility of students and individuals, enabling recognition of formal and informal learning and linking formal education and informal learning, enabling faster vocational education for the labor market, enabling access to education and training and mobility through the system to all (young and adults, individuals who leave the education system early, vulnerable groups, persons with no qualifications), ensuring quality of education (initial and continuing), based on defined indicators of quality of education, providing assistance to students in education in order to develop expertise and core competencies needed for life and work, improving social partnership and active involvement of social partners in planning, organization and implementation of education, enabling (through vocational education) personal, social and professional development of each individual by promoting equality, social cohesion and active citizenship, etc.

Based on the Strategy for Adult Education (2005-2015), the Ministry of Education and Science formed a working group that prepares a plan of adult education for a period of four years. Council for Adult Education in March 2010 adopted a new four-year Plan for Adult Education for the period 2010-2014. This Action Plan enables further development of activities for each year and each municipality separately, which represents the operationalization of the activities envisaged by the Strategy for Adult Education and Plan for Adult Education.
Assessment of the labour market in Montenegro

In order to understand better the relationship between these documents in the field of education and their focus on mismatch at the labour market it should be mentioned that the *Strategy for Adult Education* defined the following six priority objectives that are similar with objectives of other documents:

1. Increasing the level of knowledge and skills of employees in order to achieve faster economic growth,
2. Increasing the level of knowledge and skills of the unemployed in order to move them faster in employment;
3. Increasing the level of social inclusion through the adult education;
4. Reaching the values of democratic society through the education of adults;
5. Improving environmental protection through the adult education,
6. The use of other forms of education for personal development.

The *Action Plan for Adult Education 2010-2014* is written in light of the global economic crisis and primarily focuses on the following five key areas:

1. Vocational training with a greater focus on the employed persons, to improve and develop their professional knowledge, skills and competencies, through various forms of professional training, retraining, specialization of employees in both, economic and other activities, through a variety of programs for the technoeconomic redundancies, with special emphasis on their training and empowerment to launch entrepreneurial initiatives, as well as through various training programs for employees in the services for human resource development in all sectors.

2. Basic education - one of the goals of the Law on Adult Education is to achieve the minimum of basic education for all citizens of Montenegro. In order to achieve basic education the *Centre for Vocational Education* with partner institutions prepared, and the *Council for Adult Education* adopted *Program for Elementary Functional Training*, as well as *Adjusted Elementary School Program for Adults*.

3. Development of key competencies - the tendency is to develop the main competencies through the educational programs (in both, formal, and informal education system) with special emphasis on foreign languages and information technology. In order to achieve this, the Law prescribes the licensing for organizers of adult education that implement certain programs which should be designed for strengthening core competencies. A special attention is also given to interpersonal and civic competence, with special emphasis on education for EU integration, education for civic democracy and human rights.

In Montenegro, the attention is also paid to the improvement of the development of entrepreneurial learning and training for managers. In cooperation with the labor market institutions, the *Centre for Vocational Education and Training* prepared program which prepares students for the basics of entrepreneurship, in order to acquire the necessary knowledge and skills to run their own mini-businesses. The *Strategy of Lifelong Entrepreneurial Learning* is adopted.
4. Education and training of staff working in adult education - according to the adopted program of androgenic training of staff working in adult education, the Centre for Vocational Education in cooperation with DVV International (German organization for adult education) started this project. In the central, southern, northeastern and northwestern region of Montenegro, four androgenic leading training seminars for trainers of adult education will be continuously implemented;

5. Education of vulnerable groups - involves the implementation of programs for training and development of persons with special educational needs, for different educational needs of single mothers, persons who are in correctional institutions, substance users, elderly persons and so on.

Between the key documents adopted in the field of adult education (strategy, plan, action plan, etc.) and the Strategy for Employment and Development of Human Resources 2007-2011 there is a close connection and interdependence in their design and implementation. In the development of the Strategy for Employment and Development of Human Resources were also included representatives of educational institutions that are responsible for monitoring the implementation of the Strategy and its Action Plan. Based on this monitoring, the annual reports should be submitted to the Ministry of Labour and Social Welfare. By the same principle, in the design and implementation of strategies and action plans from the area of education, the representatives from labor market institutions, economy, employers who shall submit a report to Ministry of Education and Science, were included.

Center for Vocational Education in cooperation with numerous partner institutions and organizations carried on for nine years in a row the event Fair of Adult Education, with the aim to promote adult education and lifelong learning. During the festival, which lasts more than a month (October-November) around 30 activities in almost all towns of Montenegro are carried out.

Since there is a mismatch between supply of the education and training system and the demand of the labour market, as a part of the reform of VET system in Montenegro, experts from relevant education and labour market institutions conducted a survey about skill demands in wood processing, civil engineering and tourism. A survey of personnel and qualification demands in the tourism sector shows that the problems of recruiting qualified staff exist. Also, EAM analyses the information regarding training needs in order to design and organize efficient trainings that are labour market oriented. However, more efforts should be done in order to better match supply and demand which assumes effective LLL system and efficient active labour market measures.

**3.2 Financing of education system in Montenegro**

Since the beginning of the education system reform, the Ministry of Education and Science has advocated decentralization of education financing and transfer of a part
Assessment of the labour market in Montenegro

of the financing responsibilities to the municipality’s level. The conditions for that have not been created yet. The overall education system in Montenegro is still financed from the central level. The Ministry of Education and Science covers all the costs for education, including the salaries of employees, operation costs, expenditures for energy, investment maintenance, capital expenditures etc.

The spending on education is very important indicator which describes the level of priority that is given to education. Annual public expenditure on education at all levels varied during recent years. It is important to mention that since 2008 the Ministry of Finance added all the extra-budgetary funds into State Treasury System.64 Therefore, data from this table for 2008 and 2009 are not comparable with those from the previous years. In nominal values, annual public expenditure on education has increased. It amounted €112 million in 2007, €136 million in 2008 and €139 million in 2009.65

Table 1: Annual public expenditure on education as % of total budget expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public expenditures on education (all levels)</td>
<td>13.6</td>
<td>12.7</td>
<td>14.4</td>
<td>9.8</td>
<td>9</td>
</tr>
</tbody>
</table>


However, these expenditures do not illustrate the efficiency of spending since the relationship between student performance and cumulative expenditure per student is not necessarily direct.

3.3 Vocational Education and Training (VET)

According to the legal set up in the field of education, the Montenegrin education system has two types of qualifications: qualifications on the level of education (degree) and vocational qualifications.

- Qualifications on the level of education are obtained through completion of formal education curricula. They are confirmed by diplomas and ensure both inclusion into the labour market and further education. Apart from that, completion of curricula means obtaining one or several vocational qualifications depending on whether the curricula is made on the basis of one or several occupational standards.

---

64 This decision is based on Law on Budget (Official Gazette of Montenegro, 40/01, 44/01, 71/05).
65 However, the plan of the budget for 2010 shows that expenditures on education will decrease to €130 million, or 9.1% of the planned budget expenditures.
Assessment of the labour market in Montenegro

- **Vocational qualifications** that are confirmed by certificates are obtained through completion of a module of a curriculum which is tested after the curriculum is completed or through direct test of the knowledge obtained earlier. These qualifications ensure inclusion into the labour market and they can be recognised for obtaining the levels of education.

Development of vocational education cannot be observed without taking into account the labour market situation or the overall economic system and education system trends. It is important to know what is going on in the overall/integral labour market and not only in the labour market for human resources produced by secondary vocational education, i.e. it is important to take into account the most important challenges of the overall labour market – the demand and supply. Bearing that in mind, it is necessary to establish the system of vocational education, developed in cooperation with social partners, which will produce human resources qualified for efficient work according to contemporary standards of education levels and which will facilitate personal and social development of each individual. High-quality initial vocational education is the basis for upgrading knowledge, skills and competences necessary for life and work of individuals who are facing challenges of fast technological changes, globalisation and demographic changes.

In this field one of the basic goals of Montenegrin authorities is to develop Montenegro as a society of knowledge where vocational education, as the key factor of economic and social development will be of high-quality, flexible, efficient, with the professional human resources who will have competitive knowledge, skills and competences and who will be qualified to take part in the labour market, where each individual has equal opportunities for personal and professional development.

According to the provisions of the *General Law on Education* (Official Gazette, No. 64/02 from 28.11.2002, No. 31/05 from 18.05.2005, No. 49/07 from 10.08.2007) and provisions of the *Law on Vocational Education* (Official Gazette, No. 64/02 from 28.11.2002, No. 49/07 from 10.08.2007), vocational education in Montenegro is implemented as *lower vocational education* (two years), *secondary vocational education* (three or four years) and *post-secondary vocational education* (up to two years, which is a continuation of secondary vocational education). Vocational education also includes Master’s Exam.66

In Montenegro, qualifications in vocational education are classified in 14 sectors and for each of them a qualification framework is made by sectoral commissions on the basis of the analysis of situation on the labour market, possibilities for acquiring qualifications, perspectives of development of activities in the country and comparisons with other countries. Sectoral qualification frameworks are based on

---

66 The new *Law on Recognition of Vocational Qualifications* for the purpose of working in regulated professions in Montenegro (Harmonization with the EU Directive 2005/36/EC that is relating to the work in regulated professions) will be adopted during 2010.
Assessment of the labour market in Montenegro

development and open for adding new occupations as required according to the needs and changes in the labour market.

After finishing lower vocational education and practical test, three-year secondary vocational education and final test, students get diploma. Further education is possible after certain additional exams are taken. Diploma on four-year secondary vocational education is obtained upon completion of the curricula of four-year secondary vocational education and after taking vocational exam. Vocational exam consists of written exam in mother tongue and literature, written exam in mathematics or foreign language, written or oral exam in vocational-theoretical subject and practical work. From the school year 2009/2010 on the vocational exam is taken externally. From the same school year all students of the first grades of vocational schools are educated according to new curricula.

The Book of Changes (2001, Ministry of Education and Science) defines the direction of changes in Montenegrin education system and is a general strategy for development of the education system to the level of university, with clearly defined goals, principles, contents and processes of the new concept of education. "The Book of Changes defines the key objective of Montenegrin education system in the following way: "New education system must be compatible with the strategic development commitments and objectives of reforms in Montenegro, which are all directed towards the development of democratic, economically prosperous and open society founded on the rule of law, harmonious interethnic coexistence, understanding and tolerance. As a follow up of the activities for the implementation of the solutions envisaged in the Book of Changes, the Ministry of Education and Science created the Strategic Plan for the Education Reform for the period 2002–2004. This document was followed by the Strategic Plan for Education Reform for the period 2005–2009 which defined the plan for development of vocational education system in the mentioned period.

Development of the Strategy for Development of Vocational Education in Montenegro (2010 – 2014) is a logical follow up aimed at development of the vocational education system in such a way that it provides individuals with the possibility to obtain qualifications necessary for equal participation in the labour market and for advance in career, personal development and further education. Montenegrin Vocational Education Development Strategy (2010-2014) was prepared by the Working Group comprised of the representatives of the numerous institutions: Ministry of Education and Science, Vocational Education and Training Centre, Ministry of Labour and Social Welfare, Employment Agency of Montenegro, Chamber of Commerce of Montenegro and Confederation of Trade Unions of Montenegro.67

67 This had assistance from Federal Ministry for Economic Cooperation of the Federal Republic of Germany through the GTZ project in Montenegro, which hired expert consultants from the Federal Institute for Vocational Education - BIBB
Montenegrin Vocational Education Development Development Strategy has the objective to determine the direction of development of vocational education through definition of goals and tasks the implementation of which will:

- facilitate faster response of vocational education to the labour market needs;
- develop qualifications based on learning outcomes in all sectors and on all the levels of ability up to the level of university education;
- ensure accessibility of education, training and passability through the system for everybody (young and adults, early drop-outs, vulnerable groups, persons without any qualifications);
- ensure high-quality vocational education (initial and permanent) on the basis of defined indicators of education quality;
- assist all students to develop throughout their education the vocational and key competences necessary for life and work;
- ensure conditions for making life-long learning and mobility of students (individuals) come true;
- ensure recognition of informal and non-formal education and connection of formal education and non-formal learning;
- ensure through vocational education personal, social and professional development of every individual, encouraging fairness, social cohesion and active participation of citizens;
- ensure comparability of qualifications obtained in Montenegro with the qualifications obtained in other countries.

The Strategy for Development of Vocational Education in Montenegro defines main strategic goals and tasks that should be realised. These are related to the:

- timely adaptation of legislation to the current needs of the vocational education system with the view to improve efficiency of the system,
- strengthening premises and equipment and human resources of key institutions that are bearers of activities in vocational education,
- establishment intensive and synchronized cooperation among institutions with the aim of achieving overall goals defined in the strategic documents, monitoring and analysing changes and harmonizing vocational education system and legislation with the labour market trends,
- development of occupational standards for the occupations needed on the labour market, in cooperation with the social partners and on the basis of a comprehensive analysis of the situation in the sectors and of prospects of sector development and comparison with other countries,
- establishment of labour-market oriented school network according to territorial principle, strategic directions for development of the municipality the network belongs to, regional development and national interests, and establish a school network which by its material, human resources and spatial capacities corresponds to the modern teaching standards defined in curricula with the aim to create competent and competitive human resources in the labour market,
Assessment of the labour market in Montenegro

in vocational education as large percentage of children with special needs as possible and create adequate conditions in schools for their high quality work and training which will result in knowledge and skills required by certain knowledge standards,

- establishment of sustainable system of quality assurance in vocational education on the national level and on the level of schools,
- establishment of Montenegrin qualifications framework, which will increase consistency of qualifications by clearly defining the levels through knowledge, skills and competencies and facilitate classification of qualifications according to learning outcomes; enable recognition of non-formal and informal learning and encourage life-long learning; make the procedure of obtaining qualifications transparent; develop mechanisms for quality assurance.

Box 1: Voluntarism in Montenegro

In April 2010, Montenegrin Parliament adopted the Law on Volunteerism, which is aligned with international practice in this field. According to it, organizer of voluntary work can be state body, body of state administration, local self-Government, institution from the field of social and child protection, health protection, culture, sport, religious community, domestic and international NGO registered in Montenegro as well as other domestic and foreign persons whose main goal is not gaining or redistributing profit, in line with this Law and international obligations.

The user of voluntary service can be legal and physical entity. Organizer of voluntary work can be at the same time its user. Duration of voluntary work is up to 6 hours per day and not longer than 25 hours per week. It is prohibited to misuse voluntary work for the sake of gaining or increasing profit. Voluntary services are preformed based on the Contract on Voluntary Work. Minor volunteer (15-18 years of age) can conclude this Contract only with written approval by parents or adopters. Children below 15 years cannot be engaged in voluntary work. Regulations dealing with the working relations, especially those related to the protection of the minor person, are accordingly covering protection of minor volunteer.

It is prohibited direct and indirect discrimination of volunteer and users of volunteer work, based on gender, birth, language, race, religion, skin color, age, pregnancy, health condition, that is
If the extent of development of the vocational education and training system in Montenegro is observed, than specialized VET programs in all main fields are available to all upper-secondary students, while specialist training for teachers of VET programs has commenced.

The methodology that is incorporated into the curricula of all work fields is determined nationally and is examined by working groups and commissions. They are adopted by the Council for Vocational Education before being published by the Education and Science Ministry. They, then, approve each of the final curricula on school levels, as based on the reports of staff and existing school preconditions. Curriculums are put together with social partners, themselves based on occupational standards, representing the linkage between the education system and labour market. So far, 75 curriculums for four-year vocational education, 38 for three-year vocational education, and 2 for two-year vocational education have been developed.

Employers and unions are regularly involved in consultative processes in the VET system. The Montenegrin authorities support financial incentives for employers, notably via the employment of trainees, employment preparation programs (e.g.

---

68 According to the ‘General Law on Education’, the Council for Vocational Education was set up. The Council is responsible for a qualifications system, which also involves social partners. They were also among the founders of the Centre for Vocational Education – the institution responsible for the development of the entire vocational education in Montenegro.

69 Source: Centre for Vocational Education
Assessment of the labour market in Montenegro

professional training, additional training, retraining), as well as programs for acquiring specific knowledge, like ICT literacy, languages, accounting, etc.

**Vocational Education and Training Centre** is in the charge of the advisory, research and expert activities in the field of vocational and adult education: expert activities of monitoring, analysing and developing education system; working in cooperation with the institutions on the enhancement of education work; preparing expert tasks in the fields decided upon by the responsible councils and Ministry of Education and Science; doing expert activities in preparing curricula, catalogues and standards of knowledge, occupational standards, norms and standards for teaching aids and equipment; doing research and monitoring experiments; advisory work in the institutions in the field of vocational and adult education and in the institutions connected with education; preparing education and pedagogic and methodological standards for textbooks and manuals for vocational subjects in vocational education; preparing professional standards for teachers; organising training for teachers and principals.

**Council for Vocational Education** as an expert body is in charge of: passing the curricula for subjects and examination catalogues for practical, vocational, final, master’s, graduation exams and other exams to be taken in the field of vocational education, establishing curricula for vocational education, curricula for vocational education of children and the young with special needs.

**Examination Centre** is responsible for external testing of the achieved standard of knowledge and skills. It is also responsible for the following: preparation of tasks, organisation and implementation of exams according to the law; training institutions for preparation for external examinations; advising and providing services related to external examination; research and development of the external evaluation of knowledge; international comparability of the education system quality and other tasks according to the law and memorandum of association.

The share of upper-secondary students who participated in VET programs during the recent years was around 70%. However, the share of VET students, at upper-secondary level, engaged in VET programs that have a work-based training element is not available.

The dual type of education, aside from school types, was introduced via the ‘**Law on Vocational Education**’. The design of this dual education is to occur both at school and work, with theoretical parts to take place at school, and the practical one at the work. Low number of students was enrolled in this dual type system during previous years due to the fact there were little incentive available for the dual system either by students or employers.

Vocational education envisages practical teaching that occurs both at school or work. At school, this is where it is organized and, eventually, realized. The percentage of practical teaching is 60%, for a two-year vocational education, approximately 50%
for a three-year vocational education, and between 15-35% for a four-year vocational education.\textsuperscript{70}

### 3.4 Continuing Work-related Education and Training (CET)

Continuing Work-related Education and Training (CET) is essential bearing in mind the fact that skills should be maintained on the permanent basis. Namely, Montenegro strives to become the “society of knowledge” and, in achieving this goal it should be learned that only a lifelong education and improving of knowledge, skills and competencies can guarantee a better life and higher standard of living. CET has huge importance, especially for countries such as Montenegro, because there is still high level of unemployment, and a process of industrial restructuring, requires upgrading of work skills. This is especially important for those people experiencing a lack of educational and training opportunities. Bearing that in mind, the crucial moment in the entire process is the understanding and the readiness of citizens for a lifelong learning, all with the view to adjust to changes on the labour market.

In 2006, the Montenegrin authorities, initiated the ‘Strategy for Adult Education’ covering 2005-2015, designed by a National Team for the Strategy for Adult Education in Montenegro whose representatives came from the EAM, Government ministries, Chamber of Commerce, Employers Union, Centre for Vocational Education, etc. Complete and comprehensive career guidance for students finishing primary and secondary schools were given in an ‘Information Book.’

The share of 25-64-year-olds participating in work-related education and training had an increasing trend during period 2004-2008. In 2004, it amounted only 3.4%, while in 2008 it increased at the level of 17%.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|}
\hline
\textbf{Year} & \textbf{2004} & \textbf{2005} & \textbf{2006} & \textbf{2007} & \textbf{2008} \\
\hline
\textbf{Participation in work-based CET} & 3.4 & 7.1 & 10.9 & 14.4 & 17 \\
\hline
\end{tabular}
\caption{Share of 25-64-year-olds participating in work-related education and training}
\end{table}

\textit{Source: Employment Agency of Montenegro}

### 3.5 Human Capital Outcomes

The human capital endowment is closely related to the economic growth. Human capital is a broad concept which is composed from many components that relate to the knowledge, skills and attitudes. In order to observe the level of human resources development adequately, human capital outcomes should be measured. The most commonly used measure of the relationship between the human capital and economic growth is the average years of schooling in the labor force as a measure of the stock of human capital. However, Montenegrin statistical system still does not have data related to the average number of years in formal education among the

\textsuperscript{70} Source: Centre for Vocational Education
Assessment of the labour market in Montenegro

general population.\textsuperscript{71} On the other side, there are some data related to the population that has attained upper-secondary education. According to those data the percentage of the population that has attained upper-secondary education in Montenegro amounts to \textit{24.95\%}.\textsuperscript{72}

Also, very important indicator for the assessment of human capital outcomes relates to tertiary graduates and the fields in which these graduates have studied. The patterns of university graduation can provide information about the potential of the country to absorb, develop and disseminate advanced technologies and supply the labour market with highly skilled workers. The percentage of the population that has attained tertiary education during 2008-2009 amounted to \textit{7.5\%}.\textsuperscript{73}

Very important indicator of the relationship between the human capital and economic growth is the percentage of the science and engineering graduates as a share of all tertiary graduates. However, in Montenegro there is no data on the number of all graduates. Therefore, this percentage cannot be calculated, although data on number of science and engineering graduates exist.

\textsuperscript{71} Statistics should follow indicators according to the \textit{Frascati methodology}: total number of persons with higher education, their number in relation to the total labour force, percentage of HRST (Human Resources in Science and Technology) by education and by occupation in the total labour force, HRST unemployment rate compared to non-HRST unemployment, sectors which employ S&T personnel, as well as the percentage of S&T personnel in the total labour force by regions.

\textsuperscript{72} Source: MONSTAT

\textsuperscript{73} Source: University of Montenegro, Ministry of Education and Science
3.6 Comparison with EU and region

3.6.1 Human Resources Development in EU

The common reference levels of the European Qualification Framework (EQF) are defined through main characteristics of knowledge, skills and competences. That approach creates a valid basis for all national systems to be compared and to assess their devotion to the Human Resources development. This approach that is used in European Union is also a good guideline for regional countries, because it allows to them to connect with each other through education and training systems, to cover all levels of qualifications and promote the validation of learning outcomes.

Therefore, the Members of European Union have decided to adopt the learning outcomes approach over the specific needs of the EQF implementation. In addition to this, all countries have developed or are developing comprehensive national qualifications frameworks (NQF) for lifelong learning where levels are defined through learning outcomes. The main role of such comprehensive frameworks is to facilitate more flexible learning pathways for individuals across general education, vocational education and training and higher education. The assessment of experts is that validation of prior learning, including experiential learning, will become easier at all levels, both within and between education and training subsystems. In the EU countries, beside the development of comprehensive national frameworks, there are activities on the implementation of the Qualifications Framework for the European Higher Education Area within the Bologna Process and the EQF. All these European frameworks are important in sense that they enhance the processes of mobility and lifelong learning throughout Europe by using the learning outcomes approach.

All 27 members of the European Union are introducing or they already doing activities on implementation of NQF for lifelong learning. The main goal is to develop and introduce a comprehensive NQF which would cover all levels and types of qualifications including general education, vocational education and training, higher education and adult education. Also, the goal is to achieve higher level of integration between the subsystems. During development of NQF, all countries are guided by the common EU tools that can contribute to creation of transparent, flexible and inclusive national qualification systems. Those tools particularly include frameworks, validation arrangements and quality assurance standards and guidelines. Although NQFs are based on same tools, they differ among member states in terms of ability to create connections between subsystems.

74 The Montenegrin government is currently also in the process of creating the National Qualifications Framework.
75 The Development of National Qualifications Frameworks in Europe, Cedefop Overview, June 2010
3.6.2 Human Resources Development in regional countries

3.6.2.1 Serbia

Serbia has made significant policy progress in the area of Human Resources Development during recent years. The Strategy for Development of Vocational Education and Training was adopted in 2006, while an action plan for implementation of the strategy was introduced in 2009. This action plan defines the activities to be completed and the tools for financing and monitoring the strategy.

Regarding the inclusiveness of strategy development on workforce skills, the Serbian Ministry of Education invites private sector representatives to participate in drafting laws, and such prepared drafts are presented to public, local governments, scientific institutions, different centres for teacher training etc. Still, a National Qualification Framework is being prepared slowly since the cooperation between relevant institutions needs to be strengthened.

Also, a progress was made because Serbian Government adopted the Strategy for Development of Adult Education in 2006, and the action plan for the implementation of this strategy was also introduced in 2009.

During recent years, internships have usually been the result of individual initiative, but the Serbian government has decided to finance a Program of internships for 90,000 pupils and students. Compared with Serbia, a pilot project currently promotes internship programs in Montenegro in order to help students gain more practical experience. However, there are no internship programs for more technical disciplines, and consideration could be given to enlarging the scope of this similar schemes.

Serbia also participated in Program for International Student Assessment-PISA and the results of that assessment, showed that there is a need for ongoing attention to the quality of investments in education. Montenegro is one of the few countries in the region that also participated in the Program for International Student Assessment. However, Serbia was ranked as 41st country in this assessment, which is better result than Montenegro achieved. Namely, Montenegro was ranked as 48th country out of 57 countries that participated in this program.

3.6.2.2 Albania

The progress in Human Resources Development that Albania made during recent years is mainly related to the bringing of different policies and establishing relevant institutions. The Sectoral Strategy for Employment and Vocational Training is developed. This strategy is connected to workforce skills needs and it is based on inputs from 36 labour offices across the country. A new vocational education and training agency was also established in 2006, and the main purpose of this agency is to address curriculum development and teacher training. Beside this institution,
several new vocational training centres were established and the policies related to the development of the teaching workforce are designed. Thus, the Institute for Curriculum and Training created a National Strategy for Training Teachers and Principals, while a National Strategy of Pre-University Education has been created for the period 2009-2013. Another improvement is related to the current development of a comprehensive education management information system, as well as stimulating employers and self-employees. The government gives the incentives to employers for 6-month to 1-year internships. Employers are obliged to pay interns, while social insurance is covered by the State.

However, the reform is still ongoing, and there are still a lot of challenges in educational system of Albania. These challenges are related to reduction of gap that exists between the needs of employers and the skills of graduated people, since there is a lack of some professionals such as engineers or professional technicians, and such a situation is not only in Albania, but also in other regional countries. Albania is very week in terms of strategy formulation on workforce skills and the system of work related training. Currently, there is no medium and long term analysis of skills needs, and there is no strategy related to work-related training.

In comparison with this country, Montenegro adopted the updated National Employment Strategy and Human Resources Development 2007-2011 was adopted at the end of July 2008 together with the corresponding National Action Plan for Employment 2008-2009 which means that these countries have developed employment strategies, but the implementation of these strategies should be strengthened in both, Albania and Montenegro.

3.6.2.3 Federation of Bosnia and Herzegovina

Federation of Bosnia and Herzegovina accepted the Bologna Process and the Lisbon Strategy and therefore made progress in secondary and higher education. Regarding the higher education, the Education Credit Transfer System has been adopted, and a goal of this system is to improve student mobility. Beside this institution, many institutions have also been established in order to improve the entire education system. Among them the most significant are the Agency for Quality Assurance in Higher Education and the Agency on Pre Primary, Primary and Secondary Education. The first one is established in 2009 and the main purpose of this institution is addressing diploma recognition. A second one also started with work in 2009 and it is in charge of curriculum development, evaluation, quality assurance, teacher training, certification and recognition. Another progress is made in the vocational education and training system, mainly through the different projects of European Commission.

Beside institutional development, many strategies related to educational system are adopted. The Strategic Directions of Education Development and implementation plan is adopted for period 2008-2015, and it is related mainly to the teacher recruitment, while Teacher recruitment Preparation of a National Qualification
Assessment of the labour market in Montenegro

Framework is also finished at late 2009, as well as The State Strategy on Employment and the State Workforce Skills Strategy. If we compare this country with Montenegro, there is still a lack of legislative regarding the adult learning in Federation of Bosnia and Herzegovina, while Montenegrin government adopted A Strategy for Lifelong Entrepreneurship Learning 2008-2013. However, there are preparations of law which would be related to this topic in Federation of Bosnia and Herzegovina.

Federation of Bosnia and Herzegovina is faced and will be faced with many challenges in nearest future in terms of human resources development. The laws should be implemented properly and cooperation between institutions should be improved. This is not only related to the ministry level, but also cooperation and communication between governments, the private sector, schools and universities should be improved. Some institutions are fragmented which represents additional problem. Also, the system of data collection in educational sector is very poor, since there is no unique system which represents a huge problem for educational statistics and its comparison for example with statistics from EU countries.

### 3.6.2.4 Former Yugoslav Republic of Macedonia (FYRM)

FYRM made significant progress in Human Resources Development. Progress is obviously seen in the fact that secondary-level education became compulsory for every citizen since 2007, while the evaluation of teachers is conducted during 2009. The Vocational Education and Training Council of FYRM is established in 2008 with an advisory role to the vocational education and training centres in this country. In comparison to FYRM, it should be mentioned that Montenegro also made positive changes in the educational system in some fields, including the structure of educational institutions, curriculum development and the training of educational staff and teachers.

The new legislation made significant changes in the field of adult education. The Law on Education of Adults was adopted and the Adult Education Centre was established in 2008, and therefore the system of adult learning is improved. The Adult Education Centre covers both, formal and informal learning for adults. In addition to this, the Council for Education of Adults was established in 2009, along with a State Examination Centre.

The encouraging is the fact that there was a broad debate in the country when the National Program for Development of Education in the FYRM referring to period 2005-2015 is adopted, which means that consultative processes are well developed. Also, cooperation is much improved, since The Ministry of Economy prepares strategies for different sectors (industry, tourism etc.) together with involvement of all interested parties.

Also, a model for short-term labour market forecasts was established in 2006 with the main role to identify specific skills requirements in some sectors. This activity is
Assessment of the labour market in Montenegro

conducted once per year by the Macedonian Employment Agency. In addition, a National Agency for European Educational Programs and Mobility was established in order to promote and implement the European Educational Programs in this country.

Although it seems that FYRM made high progress in Human Resources Development, there are a lot of remaining challenges that are mainly related to the assessment of lacked skills since there is inappropriate structure of labour force. This is partially due to the emigrations of skilled workers. There is a need for additional sources for further reform and Human Resource Development in FYRM and that sources should correlated with the increase of quality. This is also case with Montenegro, since reported annual public expenditure on education as percentage of total government expenditure was at low level during recent years. In FYRM, Montenegro and all other economies in SEE, key strategic challenge will be to raise investment in education and to do so while raising efficiency.

3.6.2.5 Croatia

Croatia is the country that made the biggest progress among regional countries in the area of Human Resources Development, i.e. education and training. Currently, the activities on the creation of a National Qualifications Framework are ongoing while a national strategy on teacher development is prepared.

The Croatian Parliament adopted the new \textit{Vocational Education and Training Act} in 2009, which is very significant because this act exclusively regulates the Vocational Education and Training System in this country. Also, the Croatian government adopted the \textit{Development Strategy of the Vocational Education System} in the Republic of Croatia that relates to period 2008-2013. This strategy is adopted in 2008 and it is related to the ways in which aspects of the Vocational Education and Training system could develop in the medium term. In addition to this, it should be mentioned that during recent years the \textit{Agency for Vocational Education} and Training built a new system of qualifications based on learning outcomes that better reflect labour market needs. Similarly to development of Vocational Education and Training system in Croatia, Montenegrin government adopted the \textit{Vocational Education Development Strategy (2010-2014)} which was prepared by the Working Group consisting of the representatives of the numerous institutions.

In order to assure the quality, Croatian government established a National Centre for External Evaluation of Education. Regarding the quality assurance, Croatia participated in the 2006 Program for International Student Assessment (PISA) and achieved the highest scores among the regional countries that participated in this assessment. In comparison with Montenegro, Croatia achieved much better results and it was ranked as 26\textsuperscript{th} out of 57 countries. That means that quality issues in Montenegrin education require continued attention since the scores received on the 2006 PISA were significantly below the Croatian result.
The Croatian Government emphasizes the further challenges in the area of curriculum development and the improvement of the internship system. Also, priorities should be given to the strengthening of the linkages between employers and schools, improvement of advisory services and the expansion of recruitment events at schools and universities.

However, despite the fact that Croatia is entering great efforts in development of the education system, it has not developed system of lifelong learning, up till now. Croatia does not fully participate in the Lifelong Learning Program. However, some of the actions of the Program are open for Croatian institutions and individuals through pilot projects. Together with Former Yugoslav Republic of Macedonia, they were given chance in 2009 to begin the implementation of this extraordinarily challenging program.

The Agency for Mobility and EU Program is the Agency designated to manage the Life-Long Learning Program in Croatia. The Agency is currently undertaking preparatory measures for Croatia’s full participation in the Program and it is also responsible for management of already mentioned pilot projects. These pilot projects have received good response from all stakeholders. However, for final evaluation and monitoring it is very important in which direction and how fast this process will be further developed. It is promising, but it's not guaranty for amazing success. In the forthcoming period challenges are awaiting Croatia.

4. EMPLOYMENT SERVICES AND ACTIVE LABOUR MARKET POLICIES

4.1 Employment services

The main role at labour market is held by the Employment Agency of Montenegro (EAM). This institution via organisation of the activities of vocational preparation of unemployed persons for labour market, strives to improve the quality of the work force and relieve emphatic structural incompatibility between supply and demand for special occupations.

EAM offers a lot of services to both unemployed persons and entrepreneurs. All public employment services that EAM is offering are related to the increase of employment in Montenegro. In that way, unemployed persons can get own employment advisor, timely information about situation on labour market (labour’s demand and supply), practical knowledge about applying for job (writing CV and preparation for interviews), organizing trainings for foreign languages, computer skills, etc. Although capacities of the public employment services have been continuously improved, comprehensive measures have to be implemented in order to tackle the problems of inactivity, long-term unemployment, territorial and gender imbalances, etc. New jobs and vacancies are an important condition for effective activation of the unemployed, but in spite of comparatively favourable business conditions, there is an insufficient level of job creation.
Assessment of the labour market in Montenegro

EAM provides the following vocational treatment and services: information on possibilities of employment, provision of vocational assistance in choosing, seeking and accepting jobs, involvement in ALPMs, scholarships, and credit arrangements for self-employment, vocational education, re-education and specialization.

The Law on Employment and Realization of Rights from Insurance against Unemployment prescribes that the unemployed person is a person aged from 15 to 65 year (Montenegrin and foreigner with personal working permit\(^{76}\)), who is on evidence of EAM, capable or partially capable for work, not employed and is actively searching for employment. This Law stipulates that regular pupil, student, employee with peace-keeping rights from employment, pensioner and farmer registered in Registry of Farmers within authorized body are not falling under the category of unemployed persons. Unemployed persons in Montenegro have the rights to:

- be informed about the possibilities and conditions for employment within EAM and other Agency;
- use services of EAM and other Agency free of charge;
- determine, together with EAM and other Agency, individual employment plan;
- be involved in the programs and measures of active employment policy, in line with the individual employment plan;
- financial compensation during the time of unemployment, in accordance to the Law;
- financial assistance during the time of education, training and professional rehabilitation of the persons hard to employ, in accordance to the General Act of EAM;

Persons hard to employ have priority in implementation of certain measures of ALMPs. Besides that, the new Law prescribes that if unemployed person finds a job for indefinite period out of the place of residence, he/she has the right to the lump sum financial assistance for the compensation of the travel and connected expenses, in accordance to the General Act of EAM. Namely, changes in the structure of unemployment and the greater share of the persons hard to employ, created conditions for determination of special solutions which provide them with incentives for greater employment.

One of the main goals of this new Law is to allow, within existing course of economic development of Montenegro and the relation between labour supply and demand, greater employment through establishment of the more efficient legal framework for execution of activities related to the issue of employment. It is believed that this kind of framework will enable planning of the active employment policy on annual basis, adjustment of the measures of the active employment policy, as well as

\(^{76}\) Foreigner with the personal working permit is the foreigner with the right to the permanent residence, refugee, that is the person who has the right to the additional protection, in accordance with the special Laws.
monitoring of the effects of active employment policy as an indicator for its further planning.

In order to have more adequate way of regulating content and the role of measures of ALMPs, the Law introduces National Action Plan for Employment, as the main instrument in planning of the employment policy. This document on the annual basis sets goals and priorities of the ALMPs, programs and measures of ALMPs, which will be conducted during certain year as well as financial framework for the realization of the ALMPs.

The new Law gives priority to the ALMPs and with the shorter time in which rights to the money compensation are valid, unemployed persons are provided with incentives to seek for employment.

The Law on Employment and Realization of Rights from Insurance against Unemployment regulates the issue of insurance against unemployment, types of insurance and the rights from insurance against unemployment. The insurance against unemployment covers the share of both employer and employee in the form of payment of contributions which should enable funds for realization of rights based on unemployment. Based on the insurance against unemployment, unemployed person is, under the conditions stipulated in the Law, provided with the right to the money compensation and pension-disability and health insurance, for the period in which he/she is receiving compensation, in accordance with the individual Laws covering this area. The money compensation is something to which mandatory insurance holder has the right, if prior to the termination of the employment he/she has at least 12 months of experience in continuity or with breaks in the last 18 months, under the condition that his/hers employment ceased without his/hers request, approval or fault, and if he/she registers within EAM and submits request in the period of 30 days from the day in which employment was terminated. Based on European standards, duration of the money compensation depends upon the number of realized years of insurance in the range from 3 to 24 months.

Finally, in order to establish more adequate relations between EAM and Agencies for employment, as the bearers of the activities related to employment, the new Law regulates their relation in a more flexible manner, more clearer determines their status and the way in which they are established as well as their activities.

4.2 Active Labour Market Policies (ALMPs)

According to the Law on Employment and Realization of Rights from Insurance against Unemployment, Active Labour Market Policies (hereinafter referred to as ALPM) are plans, programs and measures oriented towards increase of employment, that is reduction of unemployment. They are determined within National Strategy for Employment and Development of Human Resources, adopted by the Government. This Strategy establishes strategic priorities and goals of the employment policy for the period of at least 4 years. ALMPs are intended to reduce labour market
Assessment of the labour market in Montenegro

imperfections and are justified when the aim is to alleviate inequalities and social exclusion by means of better access to the labour market and fairer income distribution. International experience indicates that the impact of such active labour market measures is higher when they are targeted, respondent to labour market requirements, linked with work experience and part of a comprehensive package of services. Each ALMP has to be properly sequenced, targeted and, which is the most important, evaluated. The main goal of ALMPs in Montenegro is to integrate the entire potential labour force into the labour market and to enable access to the labour market to all the persons able to work.

In Montenegro, EAM is in charge of the implementation of all the active employment policies. National Strategy for Employment and Human Resources Development 2007-2011 defines a lot of measures which are related to ALMPs. The main goal of Strategy in that field is involvement of at least 50% of long-term unemployed persons in active measures in the form of training, re-training, work experience, a job or other employability measure, combined with ongoing job search assistance. All ALMPs measures are pointed to increasing employment and counteracting unemployment, increasing productivity and quality of work and strengthening social cohesion.

The rights to participate in the ALMPs of EAM are guaranteed to the following categories:

- unemployed persons;
- employed persons working shorter than full time job;
- persons that were fired due to the technological, economic and organizational changes.

Measures of ALMPs are defined by the Law of Employment and Realization of Rights from Insurance against Unemployment and those are the following:

- Informing on possibilities and conditions for employment;
- Intermediation in employment;
- Professional orientation;
- Financing wages of aspirants;
- Support to self-employment;
- Subsidies for employment;
- Education and training of adults;
- Professional rehabilitation of the hard to employ;
- Public Work;
- Scholarships;
- Other measures oriented towards the increase of employment, that is reduction of unemployment.
Assessment of the labour market in Montenegro

Monitoring and assessment of the effects of implementation of the measures of ALMPs is done by the Ministry of Labour and Social Welfare, based on the statistic data and methodologies that are adjusted with the international and European standards. The Program that establishes measures and activities from the Action Plan is implemented by the EAM.

Above mentioned implementation measures so far turned out to be innovative and timely delivered, which should be maintained in the years to come as well. Informing on possibilities and conditions for employment is innovative measure since beside providing information on the reported vacancies and conditions for employment that existed previously, it assumes providing information related to the opportunities for professional orientation, conditions, manner and procedure for acquisition of national professional qualifications, employment mediation, etc. The novelty in intermediation in employment presents the individual plan for employment which defines the activities of the unemployed in finding work and involvement in active employment policy measures. Due to the professional orientation, the unemployed persons now have the possibility to objectively analyze, plan and accomplish their professional career, and to adjust their needs and abilities to the needs and demands of the labour market. Subsidies for employment are innovative since they now enable employers to receive certain subsidies in various cases. They have possibility to receive subsidies in the case of employment of aspirants, who, after completion of internship sign employment contract for an indefinite period, the beneficiaries of unemployment benefits who sign employment contract for an indefinite period, persons hard to employ whose employment is subsidized in accordance with special legislation, etc. Also, through the education and training, adults have possibility to gain a qualification to the first occupation, innovate knowledge within the same occupation and education level, reeducate themselves and acquire key skills.

EAM is involved in financing (partly and fully) employment of aspirants. That policy affected increasing employment of people who finished formal education. According to the Law of Employment, EAM partly refunds costs for contributions of employees if that employer employ persons for certain period. This measure has positive effects on decrease of unemployment. Also, for unemployed persons who are redundant, the Labour Found was established and it should give money support to redundant (see more in Chapter on Labour market institutions).

Public works is local and national program for employment which is designed for new jobs opening and developing of work abilities of unemployed persons. Public works are organized to achieve social, education, culture, communal, agricultural, ecological and other programmes. EAM realized many public works, such as help in house, protection of monument of culture, cleaning and arranging public places (parks, alleys, planting trees), maintenance of communal infrastructure, maintenance of main and regional roads, cleaning rivers, coasts. The main goals of public works are social and work involvement of unemployed persons, involvement
Assessment of the labour market in Montenegro

of unemployed persons who have emphatic difficulties in employment, improvement of knowledge, work abilities and motivation of participants for their own vocational development, activation of local communities in solving problem of unemployment.

Public works are intended to assist people in gaining labour market attachment. They can increase employability if combined with training. But, the difficulty of this measure is low capacity for labour market integration. Workers may get trapped in a spiral of temporary public-works programmes. Also, public works are often gender-biased.

ALMPs are related to stimulation of entrepreneurs for employment. EAM conducts programs for development of SMEs and in this way it impacts an increase of employment. Since 1999, EAM has realized Program of self-employment and in 2008 that programme has been modified as Innovated Program of Self-Employment. Through credit support, EAM stimulates development of SMEs and additional engagement of work force.

Entrepreneurship promotion can have high employment potential and may meet people’s aspirations (e.g. for flexibility, independence); more effective if combined with financial and other services, including mentoring. The entire process is often difficult in the case of disadvantaged groups, owing to their lack of networks, experience, know-how and collateral. In conjunction with that knowledge, ALPMs present measures and programs for disabled persons.

With the aim to increase employment, EAM has realized activities in educational fields for unemployment persons, part time employed persons, employed persons for whose occupation there is no market demand: males younger than 50 years and females younger than 45 years. This education programs include: vocational education, re-education, specialization. The main advantage of this labour measure is that it works better with broader technical and employability skills that are in demand and includes work experience as well as other employment services. But on the other hand, this measure may produce temporary rather than sustainable solutions and if not well targeted, may benefit those who are already “better off”. Training alone may not be sufficient to increase employment prospects.

One of the programs of ALPMs that EAM is continually realising is seasonal employment. Seasonal employment is mainly oriented towards tourism sector, but in the recent period the share of the other sectors, such as agriculture, retail, construction, forestry, etc, has increased.

**Box 2: "Job for You"**

One of the measures of ALMPs is program “Posao za Vas” ("Job for You") which has been realized by Government of Montenegro and EAM. The main goal of that Program is stimulation of employment in North region of Montenegro. In that case, EAM has realized seven projects which are focused on unemployed people. Those projects are the following:

- **Innovated program of self-employment** – this program enables loans under favorable conditions for realization qualitative and economic sustainable business ideas. The main goal is stimulation entrepreneurship in North region, which will open new work places and increased employment
Assessment of the labour market in Montenegro
**Employment counselling and job-search assistance** are more cost effective means of tackling frictional unemployment. This is due to the fact that individuals are provided with information on education and training, trends in the labour market and job openings.

---

**Box 3: Description of policies related to the fight against informal sector**

The “black market” in the formal and informal sector in Montenegro, i.e. outside the official records of employed and unemployed, was previously presented in some sectors (construction, trades, hotels and restaurants), but more as a sporadic occurrence. However, work on “black market” particularly came to the fore in the past 20 years of the transitional period. Such work is now presented in the large number of activities and a large number of positions at all levels of education and is especially pronounced in low-profit, labor intensive sectors.

The estimates of the presence of gray economy and unregistered work in Montenegro are very different. According to estimates by the Institute for Strategic Studies and from Podgorica (ISSP) the share of shadow economy in 2005 amounted around 25% of registered GDP, or expressed in absolute terms, around 400 million € with marked tendency to decline. The decline of the share of "grey" economy in the economy of Montenegro was continued in 2006. The reduction of the presence of gray economy was the result of the systematic reform activities that were conducted during this period. Specifically, reducing the tax burden, the removal of significant business barriers and making easier getting favorable loans for self employment led to the legalization of a certain level of business activity.

The research "Labor force and employment in Montenegro" to some extent showed the level of the informal work in Montenegro. This research was conducted by the ISSP for the needs of the Employment Agency of Montenegro, and it was conducted in early July 2007 on the sample of 1554 households from all municipalities. According to this survey, there were 49,442 persons who were unregistered workers (40.7% of this number were women, while 59.3% were men) which represented 22.6% of the total number of the employees in that period (218 609).

In order to suppress informal economy the Government of Montenegro in April 2003 adopted the Regulation on tax reliefs for the new employees which was applied in the next two years. Through tax reliefs government has stimulated the legalization of informal labor. According to the statistical data, the effects of Regulation have influenced the change and a significant increase in the number of registered employment.

The **National Strategy for employment and human resource development 2007-2011** and the **National Action Plan for employment for period 2010-2011** have defined measures and activities for the restraining of informal economy. Those measures are related to decreasing costs of doing business, decreasing of administrative and tax burdens and rising the state’s control function in order to eliminate the informal economy.

A study "**Strengthening of social dialogue in Montenegro**": The reduction of the undeclared work / informal economy through social partnership" was done in 2009 in order to estimate the scope and the structure of the informal work. This study was financed by International Labor Organization. A conference related to this study and informal economy was organized in Podgorica at the beginning of 2009. According to this study, undeclared work represents 15-20% of total employment in Montenegro, which is in correlation with data from MONSTAT that are based on the Labor Force Survey.
So far it turned out that labour market training programmes which respond to the new labour market requirements have been more successful than measures such as employment subsidies. This particularly refers to the training programs and measures related to the employment of persons with disabilities. Namely, although a Decree on tax incentives for hiring certain categories of unemployed persons was adopted in 2009, in order to encourage employment of persons who are considered difficult to employ, including persons with disabilities, this measure didn’t show expected results. Also, despite the fact that employers who want to employ person with disability have the special benefits and subsidies (subsidies for the wage of the persons with disability, financial resources for the harmonized work space for person with disability, etc.), in 2009 employers did not require any co-funding for adjusting workplaces for persons with disabilities. On the other side, training programs for specific occupations are organized in collaboration with 50 performers for 537 unemployed persons. Out of this number, training to work on specific workplace included 273 persons, based on the request of 27 employers. These data show that training programs that respond to the labour market needs are more efficient than mere subsidies for employment.

4.2.1 Evaluation of Active Labour Market Policies (ALMPs)

As described earlier in the Study, over the recent period, EAM has launched several projects and programs towards implementation of ALMPs, such as: financing internship; public works; encouraging entrepreneurship through credit; preparation for employment; seasonal employment; employment of persons with disabilities, etc. the main goal of these projects was increasing employment, reducing unemployment and improving the quality of jobs with fixed objectives within each priority and determination of measures within each goal in the active plan with fixed activities.

---

77 Program, "Strengthening of social dialogue in Montenegro", is aimed to review the labor market and to point out the deficiencies that arise as a consequence of the existence of gray markets. However, concrete measures and proposals for struggle against the informal sector were enacted in „National Strategy for employment and human resource development 2007-2011“ and the „National Action Plan for employment for period 2010-2011“. Also, some guidelines and recommendations are presented in the program „Fight against corruption and organized crime“. Measures are prescribed, which represents the first step in active fight against the informal sector, however, concrete measures have still to be taken. The Directorate for Small and Medium Enterprises is fighting against the informal sector, in practical terms, in a way that they encourage entrepreneurial activity, the creation of small and medium enterprises. In the two years period 2006-2007, the Government of Montenegro has supported this program for boosting job creation in a way that they reduced liabilities for taxes and payroll contributions for the employment of certain categories of unemployed persons (people with disabilities, persons who are registered more than five years as unemployed, unemployed persons aged over 50, techno-economic surpluses, farmers, persons engaged in public works and persons who are engaged in odd jobs). However, in the following years Montenegrin employment market will need some active measures to be undertaken in terms of reducing gray economy and unemployment and creation of new jobs.
Assessment of the labour market in Montenegro

Table 3: Budget for ALMPs in 2008, 2009, 2010

<table>
<thead>
<tr>
<th>Measure</th>
<th>Budget for 2008</th>
<th>Budget for 2009</th>
<th>Budget for 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour market services (1)</td>
<td>531,577,76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training (2)</td>
<td>2,088,227,71</td>
<td>7,294,694,50</td>
<td>7,294,694,50</td>
</tr>
<tr>
<td>Job rotation and sharing (3)</td>
<td>140,169,65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment incentives (4)</td>
<td>3,556,117,04</td>
<td>3,098,375,34</td>
<td>3,098,375,34</td>
</tr>
<tr>
<td>Integration of disabled (5)</td>
<td>42,580,00</td>
<td>700,000,00</td>
<td>700,000,00</td>
</tr>
<tr>
<td>Direct job creation (6)</td>
<td>2,504,251,52</td>
<td>Included in (2)</td>
<td>Included in (2)</td>
</tr>
<tr>
<td>Start-up incentives (7)</td>
<td>3,775,848,36</td>
<td>3,500,000,00</td>
<td>3,500,000,00</td>
</tr>
<tr>
<td>Out-of-work income support (8)</td>
<td>8,850,687,80</td>
<td>10,270,580,00</td>
<td>10,270,580,00</td>
</tr>
<tr>
<td>Early retirement (9)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total ALMP (categories 1-9)</td>
<td>21,489,459,84</td>
<td>24,863,649,84</td>
<td>24,863,649,84</td>
</tr>
<tr>
<td>Total ALMPs (categories 2-7)</td>
<td>12,107,194,28</td>
<td>14,593,069,84</td>
<td>14,593,069,84</td>
</tr>
<tr>
<td>Total passive measures (categories 8-9)</td>
<td>8,850,687,80</td>
<td>10,270,580,00</td>
<td>10,270,580,00</td>
</tr>
</tbody>
</table>

Source: EAM

Note: Categories:
(1) general services for job seekers provided by the public employment services (administrative expenses of the PES);
(2) training programs;
(3) programs that facilitate the insertion of the unemployed or other target groups into a work placement by substituting hours worked by an existing employee; (scholarships and sponsorships)
(4) programs which facilitate the recruitment of unemployment persons and other groups, or help to ensure the continued employment of persons at risk of involuntary job loss;
(5) programs that aim to promote integration of disabled persons into the labour market;
(6) programs that create additional jobs;
(7) programs that promote entrepreneurship by encouraging the unemployed and target groups to start their own business or to become self-employed
(8) cash benefits to compensate for loss of wage or salary;
(9) programs which facilitate the full or partial early retirement of older workers

During focus group conducted by ISSP on this topic, representative of EAM presented results of the monitoring done by those who prepared action plan. This monitoring showed positive trend in the first two priorities. At the first priority (increasing employment) percentage of extent of implementation of activities was 84%, second priority (reducing unemployment) achieved 70.5% of realization and the third (improving the quality of jobs) reached 71%. In total numbers 75,1 % of those policies had shown positive results.

The Government of Montenegro has an idea regarding stimulation of certain categories of unemployed persons (persons with disabilities, persons who are registered as unemployed for over five years-long term unemployed, unemployed persons over 50 years, techno-economic redundancies, farmers, persons engaged in public works and persons who are engaged in odd jobs - operations which provide
only part of the minimum wage) by reducing the tax liability and payroll contributions.\textsuperscript{78}

In order to solve the unemployment problem, it is necessary to make long-term strategy concerning the labour market. Measures and activities were aimed at reducing structural imbalances in the labour market.

Active labour market policies (ALMPs) remain key policies in promoting changes and increasing employment. The evaluation of ALMPs should not be considered as a one-off process. Evaluation is part of the dynamic process of improving policy design, implementation, monitoring as well as evaluation techniques.

ALMPs in Montenegro are performed on the model of the EU and neighbour countries. These active policies may be less attractive because of the financial resources, but the most important thing is possession of practical knowledge in applying it. These active policies which are incorporated in the action plan must strive to be better. The monitoring of those policies must be improved on regular basis.

According to the ISSP evaluation, numerous active labour market policies (measures) are designed and implemented during the recent period, but still have not completely achieved desired results, since their impact on labour market (in terms of activation of targeted groups) is still limited. The main reasons behind only partial success of these measures could be found in limited budget for conduction of these policies (see Table 3). Apart from the requirements for an increased budget, there is a need for further strengthening of institutional capacities in order to achieve better results.

The number of unemployed persons that participated in programs based on active employment measures, according to the EAM amounted around to 40\% of the total unemployed and it was on relatively high level, but the results of these measures are not fully known, since there are no adequate evaluation data. Based on the expert interviews that ISSP conducted with the representatives of EAM, the conclusion is that the main problem of this institution regarding evaluation of active labour market measures is non-existence of adequate system for monitoring and evaluation. However, EAM plans to improve its capacities by establishing modern IT system which would enable efficient monitoring of persons that participated in certain programs of employment. The idea is to receive feedback information from Montenegrin Tax Authority, since starting as of January 1\textsuperscript{st} 2011, all payments will be done through Tax Authority, and this institution will transfer contributions for each employee and employer to Fund for Pension and Disability Insurance, Fund for Health Insurance, EAM, etc. All these institutions are connected with Tax Authority since March 1\textsuperscript{st} 2010. This should provide information to EAM about newly employed, fired workers, aspirants that kept a job, the status of persons that

\textsuperscript{78} This is explained in more details in the following part of the Study.
Assessment of the labour market in Montenegro

attained specific EAM programs for employment, etc. The IT system should enable the review of their employment status at each moment. EAM plans to make this review every 3, 6, 12 and 36 months after program participants are moved into employment. Without such a system for monitoring, any evaluation of the impact of active labour market policies would be incomplete and imprecise.

However, some conclusions can be made based on existing data. General opinion is that there should be more efficient active measures that are related to those who find it particularly difficult to get jobs. The characteristic of Montenegrin labour market is the constant high share of long-term unemployment. This share is around 80% (according to the LFS), and 53% of all registered unemployed. Since the share of long-term unemployed persons is still high, these results suggest that active labour market measures weren’t successful as it was planned by their design. The groups most affected are vulnerable groups, such as persons with disabilities, women, elderly persons, etc., who are the most frequent long-term jobseekers.

EAM conducted several projects and programs related to active labour market measures that focus on support to self employment and encouraging entrepreneurship through credit, public works, training courses, financing internship; preparation for employment; seasonal employment; measures for persons with disabilities and other vulnerable groups, etc. These programs were characterized by low level of participation of persons with disabilities – only 238 participated in these programs that, on the other hand, included more than 11000 participants in 2009. This indicates that there should be more specific active labour market measures that are directly focused on disabled persons, and these projects and measures should provide their higher participation rate.

Training of persons with disabilities to run a business, which consisted of two segments "Encouragement of self-employment" and "Provision of basic knowledge in entrepreneurship" didn’t provide expected results, since there weren’t persons with disabilities who were trained to run a business. There was no interest of persons with disabilities to participate in these programs. Although these measures had aim to focus on improving entrepreneurial skills as well as helping the starting up of new businesses, problem might be that program activities were not designed to attract enough persons with disabilities, or they were not adjusted to their capabilities and limitations. These actions should be designed in a way that enhance participation of disabled persons, and thus, reduce their segregation at the labour market, and exclusion from the society.

Public works „Sunny Workshop“ conducted in 2010 by EAM (in cooperation with social partners) showed positive results since 69 persons from different municipalities signed employment contract for a definite period of one month to one year. This created a positive impact on the labour market and society as a whole. However, this is not enough, since at the end of 2009, the records of the EAM registered 2484 persons (1894 disabled workers and 590 people of various categories), registered by all features on the way to employment. The project “We
Assessment of the labour market in Montenegro

*All Equal*, also failed to provide expected results, since it had not significant effect on employment of disabled persons. Although, representatives of some local governments were included in these activities, their continuous participation and involvement is needed, which would result in the large number of projects with the aim to support employment of persons with disabilities.

Although the *Decree on Tax Incentives for Hiring Certain Categories of Unemployed Persons* was adopted, all with the view to encourage employment of persons who are considered difficult to employ, including persons with disabilities, with a duration of one year, there are no available data on the number of employers who hired these persons and exercised this right. In 2009, employers did not require any co-funding for adjusting workplaces for persons with disabilities, which indicates that there should be organized better campaigns to present these rights and to raise awareness of work capacities of people with disabilities.

The fact that only 6,8% of budget was spent on active labour market measures related to the integration of persons with disabilities, suggests that the activities implemented in the past to solve problems of this population and create better conditions for independent living and work of these persons, weren't sufficient. It is necessary to proceed with the full implementation of the solutions from documents that relate to disabled persons, because that is the only way to identify everybody's obligation towards persons with disabilities. Bearing in mind that the social, political, economic and legal issues of persons with disabilities are national problem, active labour market measures towards disabled persons should be designed, developed and monitored in order to assists this vulnerable group with job transitions. These measures should help persons with disabilities to gain the adequate tools, experience and skills they need to find and keep jobs. They should also aim to ease the access to work opportunities and improve job skills.

More active labour market measures is needed in the area of gender equality and women’s position on Montenegrin labour market, since it is the obvious fact that inequality between man and women in terms of employment, unemployment and activity still exist. Some projects are started in order to enhance female entrepreneurship. At the end of 2009, the Union of Employers started a project for female entrepreneurs with 30 planned start-ups. According to the ISSP assessment, this project is very important since it affirms the efforts toward enhancing general position of women at Montenegrin labour market. However, 30 start-ups are not enough. Women can see growing possibilities in this respect in the drafted *Strategy for Development of SMEs 2011-2015* that identified four main strategic goals for the mentioned period to be achieved and one of them is exclusively related to the Start-ups. In addition to that, it has been recognized the fact that SMEs have to be the main driving force behind the future economic growth of Montenegro. Therefore, more active measures should be focused on the female employment in SMEs. Female participation in self-employment programs organized by the EAM is 44%, and their share in active employment policy programs amounted to 57% in 2009.
Assessment of the labour market in Montenegro

The participation of women in different trainings during the first eleven months of 2010 amounted to 63.3%. Although this indicates that women tend to more readily accept training programs provided by the EAM, generally, there are no enough gender specific active labour market measures. Since the service sector and SMEs are the most important employers, further extension of the service sector and promotion of entrepreneurship may significantly improve women’s position at the labour market. In the period from 2006 to the end of November 2010, 37% received loans for self employment referred to women, in total amount of 7.9 million euros. Although this means a step forward from the zone of declarative and verbal support to measurable results, all this is not enough for the faster development of female entrepreneurship. Thus, these data indicate partial success of implemented measures related to the improvement and promotion of female employment, defined by the National Strategy for Employment and Development of Human Resources 2007-2011.

Current activity rate of elderly persons is at the level which is set as the goal in National Action Plan for Employment (32%). However, this part of population has significant share of very long-term unemployment (more than 8 years without job). Reasons for such a situation is due to entitlement of these persons to indefinite unemployment insurance payment (persons who worked for 30 or more years receive this benefit until their retirement), but also some part are discouraged jobseekers. This suggests that active labour measures related to the inclusion of these persons at labour market and their successful integration at the workplace are not efficient and developed enough. Also, specific goals for retention of older workers should exist.

Currently, there are a lot of programs and measures that are related to the young unemployed persons, since this part of population is very affected by unemployment (especially those with higher education). Therefore, Montenegrin Government is conducting a National Youth Action Plan referring to period 2007-2012. Although this plan assumes different active labour market measures and programs for young unemployed persons that are seeking for a job such as training courses for different positions and purposes, different public works and seasonal jobs for young persons with disabilities, wage subsidies for aspirants etc, the effects and overall impact of these measures are not known, since there is a lack of data needed for evaluation.

It may be concluded that active labour market measures towards specific groups are still not completely functional and efficient since there are still a lot of gaps on Montenegrin labour market (gender gaps, skill shortages, etc.). As mentioned before, beside the need for higher budget, there is a need for further strengthening of institutional capacities in order to achieve better results.

Regarding strengthening institutional capacities so far, apart from previously mentioned plan of EAM to establish efficient monitoring and evaluation system, several bodies have been established to monitor and supervise implementation of education, training and active labour market policies, such as Social Council, Council...
Assessment of the labour market in Montenegro

for Implementation of the Strategy for Human Resource Development in the Tourism Sector of Montenegro, Steering Committee of the Employment Agency of Montenegro\textsuperscript{79}. Also, IPA 2008 project "Labour Market Reform and Workforce Development" is related to the improvement of capacity of Ministry of Labour and Social Welfare, labor market institutions, improvement of analytic functions and evaluation of employment policy for human resources, and within that, active employment measures. Some of these activities are related to:

- Development of a system to monitor efficiency of labour market projects (financial and technical) at the national level;
- Identification and training of experts in financial and technical monitoring (Ministry of Labour and Social Welfare);
- Assistance in an implementation of monitoring (financial and technical);
- Evaluation and dissemination of local partnership project results;
- Elaboration of policy improvement options regarding the labour market projects;
- Development of “open call” kits for local follow-up development projects to be supported by national and international funds.

\textbf{4.2.1.1 Direct effects on employment and unemployment}

Labour market policies are expected to facilitate the matching between employees and employers. For instance, retraining programmes are expected to give workers the skills required by firms, whilst employment services can provide better information on vacancies or help to improve the search effectiveness of the unemployed. Other labour market programmes can be substitutes for regular work and maintain or restore the employability of the participants.

Employment of trainees is carried out on two grounds: in accordance with Government program of recruitment of trainees with a high school education and regulations on preparation for employment. This program was first launched on 1992\textsuperscript{nd}. On 2008\textsuperscript{th} special emphasis are given to the program "Stimulating employment in Montenegro with the emphasis on the Northern Region". Taking into account the length of the period of the project, it is expected to obtain stable results. For the nine months of 2010 the number of employed trainees increased by 937, for the same period 2009\textsuperscript{th} the 1265 interns were employed, while for the nine months of 2008 the total number of trainees was 1649. The declining trend of employment of trainees in Montenegro is evident. It is necessary to introduce some innovations in this program that gave positive results again. Individual municipalities

\textsuperscript{79} This Committee is in charge of suggesting measures of employment and scholarship policy, conducting employment programs and plans and undertaking other HRD activities. It is constituted on a tripartite basis.
could invest extra effort in hiring interns regardless of the policy implemented by the EAM.

Implementation of the public works as part of active employment policy, which is done through educational, environmental, social programs protection and other similar programs of public interest, is present for several years in Montenegro. In 2010 in cooperation with social partners, EAM has organized seven public works "Sunny Workshop" (production of souvenirs, greeting cards, decorations and paper products) in Herceg Novi, Kotor, Bar, Niksic, Bijelo Polje, Mojkovac and Pljevlja. In these public works 69 persons with disabilities were included. These persons have signed employment for a definite period of one month to one year. These workshops have proved to be very useful. Each is designed independently of each other so it is very difficult to predict the effects on total employment. However, estimates of ISSP showed a positive impact on labour market and society as a whole. Data were obtained from interviews with participants in the workshops, and processing of statistical data that support this assertion.

In addition to this 'crowding in' effect, programmes like job subsidy schemes, which is targeted at some group among the unemployed, may have particular effects on the rest of the population.

According to the ISSP, the following three complex and contradictory effects have been identified. The first one is the "dead-weight loss"; this loss exists because a certain proportion of the hiring that take place under the programme would have taken place anyway. The second is the "substitution effect", which is the fact that job created under the subsidy may replace jobs for other categories of workers. These problems are present when the additionality principle (any created job should be a new one) is not imposed. The third effect is called "displacement effect": firms which benefit from the wage subsidies may gain competitive advantage in the product market and increase their share of the market at the expense of other firms which may have to dismiss workers.

The table below shows which impacts ISSP expected the programme to have, as well as the direction of these impacts. Not all of these impacts can be measured.
Assessment of the labour market in Montenegro

Table 4: Impact of ALMPs on participants and society as a whole\(^{80}\)

<table>
<thead>
<tr>
<th>ALMPs</th>
<th>Participant(s)</th>
<th>Rest of Society</th>
<th>Society as a whole</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing internship</td>
<td>+</td>
<td>0</td>
<td>+/-</td>
</tr>
<tr>
<td>&quot;Encouraging employment in Montenegro with the emphasis on the Northern Region&quot;</td>
<td>+/-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public works</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Stimulation of employment and entrepreneurship</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>&quot;Self-employment program&quot;</td>
<td>+</td>
<td>-</td>
<td>+/-</td>
</tr>
<tr>
<td>&quot;Innovated self-employment program&quot;</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Preparation for employment</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Seasonal employment</td>
<td>+</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employment of persons with disabilities</td>
<td>0</td>
<td>0</td>
<td>+/-</td>
</tr>
<tr>
<td>&quot;We are all equal&quot;</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: ISSP projections

For the estimation described in the table above ISSP used the following inputs: background information form, follow-up surveys and official sources. An impact period is 24 months.

According to ISSP assessment, projects related to preparation for employment have not shown satisfactory results. In this regard responsible institutions should work on improving it and creating projects that are ready to respond to a market challenges such as: dynamic change of demanded occupations, the segmentation of the market, differences between regions, etc.

Also, the new project "We are all Equal" under policy regarding employment of persons with disabilities, has not showed expected results. This part of population needs extra treatment. Employment of this targeted group is on a precarious level.

4.2.1.2 Interaction of ALMPs with other policies and institutions

The net effect of ALMPs is difficult to identify because of their interaction with other policies. These other policies include passive labour market policies, demand management policies or structural policies of the labour market (minimum wages, wage setting practices, employment protection legislation, etc.). All these may affect

\(^{80}\) "+" (positive impact); "-" (negative impact); "0" (no impact); "+/−" (partial impact).
Assessment of the labour market in Montenegro

labour market outcomes of unemployed people. This is particularly relevant if they have been altered at the same time when the ALMPs were implemented. This is the case in Montenegrin economy.

Passive measures are related to financial compensation for the unemployment. According to EAM in 2002 there were 2700 fee users, nowadays that number reached 13000. Primarily, transition processes have created redundant and wide coverage of unemployed people. According to new Law on employment the time of receiving compensation is abbreviated. This change was introduced in order to narrow the list of recipients which would lead to an incensement of cash fees. On the other hand qualitative restructuring of compensation would lead to the stimulation of employment. This is a problem that is shaking not only the labour market, but the Montenegrin economy as a whole.

Also, the linkage between education and the labour market should be extended. This relation is a prerequisite for the creation of active employment policies. It often happens that the educational profile of individuals does not match the requirements of the labour market. Field of education and labour markets needs to be included in an adequate manner. The main goal of the project “Labour Market Reform and Workforce Development 2” is to find solution of this problem, with special focus on vocational orientation. This project is done under IPA funding (2008) through the first component “Transition Assistance and Institution Building”. Significant impact on the labour market also has the idea of introducing the profile of lifelong learning in the education system. It is more difficult to create policy that should overcome this “problem” in new action plans.

According to the estimation of the ISSP, in the future it needs to work on the networking of all policies (active and passive). Also, it is necessary to work on the inclusion of young people in the realization of the same. For example, creation of a program that would be covered by talented graduates, where during the summer they would be engaged by various institutions, would help creating stronger connections in the labour market. That would be a great opportunity for students to realize theoretical knowledge in practice and for future employers who would be able to profile the future employees.

ISSP also recognizes particular project “Job for You”, which is implemented since November 2008, as great opportunity for further development of Montenegro through regional development. The main goal of the implementation of this project is the inclusion of northern region with the rest of Montenegro. Realization of this project provides not only a framework for balance in the economy on the national level, but also and more important helps acceleration of the development of the entire labour market and in this manner assists to a certain extent in finding an exit from the global economic crisis. By the ISSP assessments this project should be extended in the next phase which should provide preserving development in the northern part of Montenegro.
4.2.1.3  SWOT analysis of ALMPs in Montenegro

For over a decade, problems regarding unemployment were in the scope of general employment policies. Active policies are coordinated with passive policies, and emphasis has been placed on linking regional action with local economic development. Unfortunately all goals were not achieved. Northern part of Montenegro is still to a lower level of development comparing with the rest of the country.

To a certain extent, the aim is to get unemployed people back to work rather than just to offer unemployment benefits. Active policies try to give priority to those who find it particularly difficult to get jobs, such as people aged over 45, the long-term unemployed, women and people with disabilities. One of the main features of the reorientation of employment policy is the integration of active and passive policies. The other main feature is a certain trend towards regional decentralisation in job-creation initiatives. Thus, in the regions, the possible creation of new jobs is associated with local development and enjoys the participation of unions, employers' associations and local institutions.

Since 2000, local development policies and the promotion of active employment policies have consisted in combining a series of interrelated measures, such as the promotion of local initiatives, the improvement of information systems between supply and demand in the labour market, fiscal measures, investment incentives, the search for new forms of employment and the improvement of vocational and occupational training. This has been demonstrated in the variety of experiences at regional level.

Experience has shown many gaps that need to be filled, such as: communication and co-operation among entities involved in the labour market; people with disabilities are often discouraged from applying at the very beginning for specific jobs for which they are qualified, because of poor access to buildings and transit places; weak motivation of certain groups of population to work, etc. Financial compensation for the unemployment for some people is much more attractive than the inclusion in the proper jobs. Statistics shows alarming data, according to EAM in 2002 there were 2700 fee users, nowadays that number reached 13000.

Labour market is one of the first links in the chain which has come under attack of the economic crisis. In that sense it was extremely difficult to achieve seamless communication between all stakeholders. There is a program that has already been implementing in Montenegro and that aims to overcome this problem. This program, „Job for You”, is implemented since September 2008.

Since the beginning of the implementation of active policies in Montenegro, the number of employees is constantly increasing (in 2000. according to MONSTAT
Assessment of the labour market in Montenegro

140762 people were employed, while at the end of 2009 that number reached 174152. On the other hand, unemployment is decreasing (according to EAM total number of unemployed people dropped from 81069 in 2000 to 28362 in 2009). The statistics support the claim that implementation of these policies brings positive results.

Table 5: SWOT analysis of active labour market policies in Montenegro

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Improvement of employment possibilities;</td>
<td>- Funding;</td>
</tr>
<tr>
<td>- Increasing number of active policies which are implemented;</td>
<td>- Lack of lecturers and instructors;</td>
</tr>
<tr>
<td>- Decreasing unemployment;</td>
<td>- Lack of national training centres;</td>
</tr>
<tr>
<td>- Flexibility;</td>
<td>- Regional disparities;</td>
</tr>
<tr>
<td>- Higher average wage (a greater difference between welfare benefits and</td>
<td>- Inability of people with disabilities to apply for specific jobs for</td>
</tr>
<tr>
<td>average wages contributes to greater work motivation).</td>
<td>which they are qualified because of poor access to buildings and transit</td>
</tr>
<tr>
<td></td>
<td>places;</td>
</tr>
<tr>
<td></td>
<td>- Weak motivation of certain groups of population to work;</td>
</tr>
<tr>
<td></td>
<td>- Insufficient communication and cooperation among entities involved in</td>
</tr>
<tr>
<td></td>
<td>the labour market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Differentiated approach to various disadvantaged groups;</td>
<td>- Lack of information on active employment measures among employers and</td>
</tr>
<tr>
<td>- Increased active participation of citizens;</td>
<td>those whom the policies are intended to;</td>
</tr>
<tr>
<td>- Available several new training programs;</td>
<td>- Deepening of the gap in the relationship between passive and active</td>
</tr>
<tr>
<td>- New education institutions;</td>
<td>employment measures;</td>
</tr>
<tr>
<td>- Strengthening programmes for active employment policies, especially for</td>
<td>- Ineffectiveness of measures for the long-term unemployed, physically</td>
</tr>
<tr>
<td>citizens from disadvantaged groups;</td>
<td>disabled, and poorly adaptive citizens;</td>
</tr>
<tr>
<td>- International cooperation;</td>
<td>- Underestimation of the need for adequate personnel and technical</td>
</tr>
<tr>
<td>- Comprehensive approach to long-term unemployment;</td>
<td>equipment of employment services.</td>
</tr>
<tr>
<td>- Broadest possible integration of all actors on the labour market,</td>
<td></td>
</tr>
<tr>
<td>employee and employer associations, state administrative bodies, local</td>
<td></td>
</tr>
<tr>
<td>Government, schools and education institutions, NGOs, etc.</td>
<td></td>
</tr>
</tbody>
</table>

Source: ISSP assessment

More and more effort is invested in the introduction of new employment policies as a precondition for the development of the economy as a whole. According to the representatives from the EAM, nowadays this institution is actively working on creation of new measures that will seek to overcome the practical problems of employment of certain groups (disabled persons, women, older than 50 years).
Assessment of the labour market in Montenegro

Additionally, one of the main strengths of the labour market is the growth of average wages (in 2004 gross wage was €271 while at the end of 2009 it amounted to €643), which directly affects the expectations of people who have yet to engage actively in the labour market, above all: young people, new entrepreneurs, etc.

One of the real problems that the Montenegrin economy is facing is “grey economy”. Because of business barriers, entrepreneurs often turn to the creation of income within the informal economy. This phenomenon directly affects the labour market; these individuals are often registered as unemployed and receiving social and financial support from Government. It is double-edged sword, on one hand they are emptying the budget (state coffers) from which new policies need to be financed, and on the other hand they are reducing the opportunities for those who are really unemployed to reach new job.

On the other hand there are plenty opportunities which are reflected through the: differentiated approach to various disadvantaged groups, increased active participation of citizens, new training programs, new education institutions, strengthening programmes for active employment policies, especially for citizens from disadvantaged groups, international cooperation, comprehensive approach to long-term unemployment, broadest possible integration of all actors on the labour market, employee and employer associations, state administrative bodies, local Government, schools and education institutions, NGOs, etc.

Accordingly, increasing the level of employment requires measures both on the supply and demand side of the labour market. On the demand side, increasing employment assumes the creation of new jobs which should be promoted through the establishment of an employment friendly environment, the gradual reduction of labour costs, the increasing and strengthening of the employment potential of SMEs, and the setting up of an effective financial and legal environment which enhances the security of smaller enterprises. In addition to that, human resources development may also promote job creation, and thus the extension of employment, by supporting training programmes related to investments as well as direct and indirect support for self-employment and business start ups.

Micro, small and medium size enterprises, concentrated primarily in the service sector, play an important role in employment, providing jobs. Accordingly, from the aspect of increasing employment, it is especially important to improve the competitiveness of these enterprises and strengthen their employment capacity.

The extension of the service sector and promoting entrepreneurial activities may significantly contribute to enhancing the participation of women in the labour market, so positive actions, besides helping the return of women to the labour market, should focus on improving entrepreneurial skills as well as helping the starting up of new businesses. These actions will also enhance a more balanced participation of women and men in competitive sectors, and thus, reduce vertical and horizontal segregation in the labour market.
An increase in the rate of employment will also be promoted by helping the unemployed and inactive population to return to the labour market. This will require employment services that are based on a more active and employability-oriented approach. The number of unemployed involved in active measures should be further increased, and at the same time, the effectiveness and quality of these measures should be upgraded.

Active measures are faced with a lot of threats, such as: ineffectiveness of measures for the long-term unemployed, physically disabled, and poorly adaptive citizens; underestimation of the need for adequate personnel and technical equipment of employment services; lack of information on active employment measures among employers and those whom the policies are intended to and maybe the most important deepening of the gap in the relationship between passive and active employment measures.

Weaknesses and threats can be turned into virtues by targeting new groups under active policies such as those who are returning to the labour market after a period of absence, particularly women who want to return to employment following a period of maternity leave. At the same time, preventing youth unemployment calls for actions to improve the employability and employment opportunities of young people.

This will require a better adaptation of education and training in the economy and in helping the transition from education to the world of work, as well as employment services based on a more comprehensive and better-targeted approach for young job-seekers. The recent developments show that a new period of structural transformation has started in the labour market: the number of jobs requiring unskilled labour is decreasing, while jobs requiring high skilled labour are on the rise.

Accordingly, on the supply side of the labour market, increasing investments in human resources development is of particular importance.

4.3 Regional comparison between Montenegro and region countries and member states of EU

Generally, ALMPs in Montenegro and in region’s counties are almost same. In all countries measures of ALMP are consisted from trainings, public works, stimulation of self-employment, sub financing wages of aspirants, sub financing employment of long term unemployed persons and people with disabilities etc.

The ALMPs in Croatia is the very similar these in Montenegro. ALMPs in Croatia include: sub financing wages of aspirants, sub financing of employment long term unemployed persons, sub financing of self-employment, sub financing of employment persons who are older of 50 years of age, sub financing of employment special groups of unemployed persons (unemployed warriors, children and woman of died warriors, parents with four or more minor children, parents of children with disabilities).
Assessment of the labour market in Montenegro

special needs, persons with disabilities etc.), sub financing beforehand known employer, trainings and sub financing public work programs.

Macedonian Agency for employment introduced various active labour market programs. That includes: program aimed for temporary inclusion of long term unemployed persons; program which is aimed to inform young unemployed graduates about possibilities for volunteering, search for local business and presenting their skills; partnership for creation of new jobs - program that envisages cooperation among employment agency and economic chamber of FYRM; job clubs - program whose activities are: counselling of unemployed, development of presentation skills etc. Implementation of the program was made through: workshops, open office, trainings for acquiring knowledge and skills in foreign language and computers; and program for target groups: is a program tailored for specified vulnerable groups of unemployed. In comparison with Montenegro, these measures are the same.

According to the ALMPs in Serbia, its Employment Agency conducts lot of programs and measures that are almost same in Montenegro. ALMPs in Serbia cover following items: informing, trainings and education, club of seeking jobs, employment marts, sub financing of aspirants, trainings and sub financing beforehand known employer, sub financing of self-employment, public works, Financing or sub financing of opening new work places, taxes reliefs for employers if they employ some people, programs for people with disabilities etc.

Active labour market measures in Albania provide support in regard to four key labour market issues: unemployed job seekers; workplace training for unemployed job seekers; Institutional training; unemployed women.

Additionally, region’s countries and Montenegro put efforts to provide equal opportunities for male and female on labour market and higher involvement of persons with disabilities at labour market.

In all countries in the region, unemployed persons received unemployed benefits. According to the data from 2007, percentage of unemployed persons who received unemployment benefit in Montenegro was 22.34%. It was minor lower than percent in Croatia (22.53%). In other counties in the region this indicator was 7.7% in Serbia and 7.54% in FYRM. In Federation of Bosnia and Herzegovina only 1.62% of registered unemployment received financial benefit which is extremely low level.

The main ALMPs in EU Labour Market are similar than to ALMPs in Montenegro. ALMPs in EU cover: personalized services and integrated action plans; training for the unemployed, those at risk of unemployment, and the inactive; training for a specific job always was the first choice, rather than “mass” training meant to upgrade the general level of employability, but without targeting a concrete working position; incentives for direct job creation and consolidation; for promoting business start-ups, for assisted employment and the inclusion into the labour market of
Assessment of the labour market in Montenegro

people affected by exclusion; active measures for specific target groups, such as young or people with disabilities.

In EU-27, total expenditure for labour market policies in 2008 was 1.06% of GDP. In comparison with Montenegro, the same indicator was 0.64% of GDP in 2008. Montenegro had higher expenditure for ALMPs than eleven EU countries.

**Graph 1: Public expenditure on ALMPs in EU27 and Montenegro, 2008**

In EU-27, this percentage was ranging from 0.27% of GDP in Romania to 3.32% of GDP in Belgium. In 2009, in Montenegro total expenditure on ALMPs as a percentage of GDP was 0.74%. Out of the total expenditure, 58.1% belongs to the ALMPs, while the rest was related to the passive measures. According to the plan, in 2010, structure of expenditure will be changed, and major expenditure will be related to the passive labour market policies.

In comparison with the region countries and EU member states regarding labour tax rates, Montenegro has higher labour tax rates than six EU countries. In EU-27, labour tax rates are between 2.2% in Denmark and 51.7 in France. In Montenegro it is 18.8% and it’s lower as compared to the average of EU-27, where it is 28.6%.
Assessment of the labour market in Montenegro

Graph 2: Labour tax rates in Europe

In comparison with countries in the region, Montenegro has higher labour tax rate than FYRM and Federation of Bosnia and Herzegovina, but lower in comparison with Croatia, Albania and Serbia. But, Western Balkan countries have much lower labour tax rates in comparison with member countries of EU.

In comparison of minimum wages in Montenegro and in region’s countries, in Montenegro minimum wage is €124 (average weighted\(^{81}\)) which is higher of Serbia (€115.42), but lower than in all other countries.

Table 6: Minimum wages in Montenegro and region’s countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum wage rates in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>131.98</td>
</tr>
<tr>
<td>Croatia</td>
<td>388.32</td>
</tr>
<tr>
<td>Montenegro</td>
<td>124.00</td>
</tr>
<tr>
<td>Serbia</td>
<td>115.42</td>
</tr>
<tr>
<td>Slovenia</td>
<td>510.00</td>
</tr>
</tbody>
</table>

Source: Federation of European Employers

The higher difference related to minimum wages is between Montenegro and Slovenia. Also, large difference is between Montenegro and Croatia.

---

\(^{81}\) More on system of minimum wages in Montenegro is included in Part 7. (Income policy) of this Chapter. However, at this point it is worth mentioning that in Montenegro there are 10 levels of minimum wage depending on the level of education. Minimum wage is 55 Euros for unqualified workers who are eligible for the coefficient 1. All other levels have higher minimum wages. If the number of employees to whom the concept of the minimum wage is related, is taken into consideration, weighted minimum wage is 124 Euros.
5. PASSIVE LABOUR MARKET POLICIES

5.1. Unemployment benefits

Unemployment benefit is provided to individuals based on the following eligibility criteria: persons who have been insured continuously for nine months, or 12 months with breaks in the last 18 months are eligible for unemployment benefits, if they submit a claim within 42 days of the date when the employment was terminated, stating whether the employment was terminated voluntarily or whether the loss of job was due to their own fault. Additionally, as an exception, young persons with disabilities (whose disability occurred before the age of 18), who have completed specialized vocational education, are entitled to this benefit while they are seeking a job. Eligibility to unemployment benefits is limited only to those who have been employed and have been paying contribution to EAM.

The period in which the unemployed person is eligible for benefit depends on the corresponding insurance period. In general, it is relatively short. Duration of unemployment benefit is as follows:

- 3 months if he/she was insured continuously for 9 months, or for 12 months with breaks in the last 18 months
- 4 months for the insurance period of 2 years continuously or 4 years with breaks in the last 5 years;
- 6 months for the insurance period of 5-10 years continuously;
- 8 months for the insurance period of 10-15 years continuously;
- 10 months for the insurance period of 15-20 years continuously;
- 12 months for the insurance period of 20-25 years continuously;
- unemployed persons with more than 25 years of insurance have the right to the money compensation (60% of the minimal wage (55€)) until he/she becomes employed or eligible for retirement.

If the unemployed person received financial benefit, he/she has the obligation to:

- actively search for a job;
- be ready for employment;
- accept some work opportunity;
- be involved in a program of active employment polices; and
- check in EAM once per month.

The unemployment benefit amount is set at 65% of the national basic minimum wage, and currently amounts to 37.5€ (net terms), plus paid social security contributions. Relative to the average wage, the unemployment benefit is quite low, and thus cannot be treated as an important supporting measure for those who lose their job. In Montenegro, the most of the current recipients belong to groups with open-ended benefits. These are mainly older workers from public companies that went bankrupt. Besides the benefit, every unemployed person, as well as family
Assessment of the labour market in Montenegro

members is entitled to health insurance (if the insurance is not provided otherwise). On average, about 9,000 unemployed persons are receiving unemployment benefit on annual basis.

6. SOCIAL WELFARE

According to demographic data, Montenegro’s population is ageing, which is putting heavy pressure on the greater demand for social welfare. Consequently, there is an increased number of social financial assistance recipients as well as an increased demand for social services. This requires reforms of the system in such a way as to meet the current and expected needs of the society. So far, the social security system (pension, health and unemployment areas) has been consolidated.

The parameter reform of the state Pension Fund was undertaken in order to mitigate the consequences of the persistent deficit. Article 1 of the Law on Pension and Invalid Insurance82 ("Official Gazette of the Republic of Montenegro", No. 54/03, 39/04, 61/04, 79/04, 81/04, 29/05, 14/07, 47/07, and " Official Gazette of the Republic of Montenegro", No. 12/07, 13/07, 79/08, 14/10) determines that the pension and invalid insurance in the Republic of Montenegro includes the following:

- mandatory pension and disability insurance based on “generational solidarity”;
- mandatory pension and disability insurance based on individual capitalized savings, and
- voluntary pension insurance based on individual capitalized savings.

In consultations with the World Bank, the Government has decided to introduce the voluntary pension funds, pillar III, before the introduction of the mandatory capitalized savings, pillar II83. The Parliament of Montenegro adopted, in December 2006, the Law on Voluntary Pension Funds84, and the Securities Commission passed, in September 2007, all the by-laws necessary for establishment and operation of the voluntary pension funds.

The health care system is among the most delicate ones and its reform should be introduced with great caution. This sector should be fully consolidated through continued reforms, downsizing of the staff and the introduction of the voluntary health insurance. The existing Law on Health Insurance has been adopted on the basis of the recommendations and declarations of the World Health Organization. Also, the Law on Social and Child Protection prescribes that the goal of social and

[82] Besides Council Regulation 31971R1408, on the application of social security system for the employed persons, unemployed persons and the members of their families within the Community, The Pension and Disability Law has been aligned with the Convention on benefits in case of work injury, No. 121, and the Convention No. 102 concerning Minimum Standards of Social Security.

[83] An appropriate demographic analysis should be undertaken to establish the possibilities for the introduction of the so-called Second pillar.

[84] The Law has been drafted in line with the Council Instruction 31998L049, on the protection of the right on additional pension for the employed and self-employed within the Community.
child protection is to provide the protection of family, individual, children at risk and persons with social needs, namely persons living in social exclusion. The principal subject of the Law is, besides other things, the protection of persons at risk from social exclusion.

The system of unemployment insurance is being reformed in line with international standards and the Government’s commitment to active labour market policies by offering retraining and additional training programs.

The social protection system in Montenegro provides a wide range of financial benefits to citizens, including both contributory and non-contributory benefits. However, social assistance benefits in their current amounts are not sufficient to satisfy the basic needs of one individual, let alone entire households. Social protection spending in Montenegro makes up around 18% of the GDP. Compared with EU member states and especially new member states, the level of social protection spending in Montenegro is not high, i.e. Montenegro falls into the category of countries with mid-level social protection expenditures. There is a wide range of benefits provided to households, whilst the system faces many challenges relating to adequacy, targeting and transparency.

The criteria for social welfare benefits are quite rigid, especially in the case of family social assistance (MOP benefit), and leaves out many poor households. On the other hand, there is a problem of misuse of social benefits by its administrators and professionals, as well as by its beneficiaries. This requires a change in the social protection system and a completely different design for the system. The system needs improvements both in its coverage and in the monetary amounts of benefits, as well as in the authorization of their issuance and delivery.

6.1. Maternity Leave

Individuals eligible for maternity leave are insured mothers, whose minimum period of insurance prior to the start of their term of leave was 6 months continuously. The Ministry of Labour and Social Welfare is charged with the administration of this benefit.

Mothers are eligible for full salary compensation for a period of one year. Prior to delivery, 45 days before the determined delivery term, the pregnant woman can take her pregnancy leave, whilst 28 days prior to delivery she is obliged to take leave. Usually, the employer pays the salary to the mother and then sends application to Ministry to be refunded. According to the Labour Law, insured fathers can take a paternity leave instead of the wife.

85 The logic behind this conclusion is the same like in the case of persons registered within EAM as unemployed and who are non-eligible to get social insurance on unemployment basis. This means that the data basis of the beneficiaries of MOP has to be updated more frequently in order to make regular deletion of those who are not entitled to such kind of benefit. In this way, individuals and families who are in the real need of receiving financial support will be correctly targeted.
The number of beneficiaries of maternity leaves shows a falling trend, which is in line with demographic trends of a decreasing number of births.

6.2. Sickness Benefit

Every employee is entitled to sickness benefits in the case of illness or injury. During the period of leave every employee is entitled to full salary compensation. In the case that the leave period is shorter than 60 days, the employer has to pay the cost. If the period of leave is longer than 60 days, the Health Insurance Fund compensates the full salary of the employee/insured person.86

6.3. Social Assistance Benefits

Social assistance benefits are means tested and categorized benefits. They are divided into two large groups: family/individual assistance benefits and child protection benefits. The child protection benefits are aimed at reducing the risk of poverty and vulnerability to children in poor families, as well as to children with disabilities.

Family/individual assistance benefits are assistance provided to individuals/families in order to reduce their vulnerability. They are the following:

1. Family material support (MOP) is a basic form of social assistance. Those eligible for this benefit are families, or family members who are unable to work.87 Individuals able to work are also eligible if they fulfil one of following conditions: pregnancy, single person, parent supporting a dependent child or child who is unable to work (whose disability occurred before the age of 18), and child without parents until employment, child with special needs who has finished special vocational training.

The family material support is a means tested benefit, and families that satisfy the following conditions are eligible:

1) amount of monthly income from the previous quarter does not exceed 50€ for single member families, 60€ for two-member families, 72€ for three-member families, 85€ for four member families and 95€ for families with five or more members,
2) does not own or use business space,
3) does not own or live in an apartment or building in an urban or suburban area larger than: one-room apartment for single-member families, two-room

86 If the leave is over 6 months, prior to approval of further leave, the medical commission of Health Insurance Fund and Pension Insurance Fund is required to assess the ability of the person to work and to assess whether this person has become eligible for retirement due to disability.
87 Besides unemployment benefit, the only social transfer the unemployed persons can apply for is the Family Material Support (FMS).
Assessment of the labour market in Montenegro

- An apartment for families with two or three members, three-room apartment for families with four or more members,

4) does not own or use agricultural land or forest area larger than: 2000 sq meters for single-member families, 3000 sq meters for two-member families, 4000 sq meters for three member families, 5000 sq meters for four-member families, 6000 sq meters for five- or more member families, or does not own or use agricultural land that exceeds 20000 sq meters.

5) family member has not refused offers of employment or training;

6) family member has not voluntarily terminated employment, or the employment was not terminated by his/her fault;

7) family member has not received severance payment after job loss, except if it this right was effected at least six moths ago;

8) family member has not sold any immovable assets or denied his/her right to inheritance;

9) family member does not owns movable assets by which the family existence is secured,

10) family member has not concluded contract on lifelong support except with CSW.

The monthly family material support benefit is fixed and ranges from 60.5€ for a single-member family to 114.95€ for a five or more member family. Adjustments in the amount of benefits according to the Law are made based on the financial state of the budget. The procedure for obtaining MOP benefits is a time consuming and requires a lot of documentation from the applicants. The number of MOP beneficiaries is constantly increasing.

2. Personal Disability Benefit. Those eligible for this benefit are persons whose inability for independent life was determined before the age of 18. The amount of this benefit is €50 per month. 88

3. Carers’ Allowance. This benefit is provided to users of family material support who, due to a physical or mental disorder, need the permanent care and assistance of another person and who are also beneficiaries of the personal disability benefit.

4. Health Protection is provided to MOP beneficiaries, personal disability benefit recipients and persons accommodated in residential institutions or foster families.

5. Funeral Costs are covered in the case of death of the following beneficiaries: MOP beneficiaries, personal disability beneficiaries, persons accommodated in residential institutions or foster families. The amount of this benefit is 300€.

6. Single Payments is a benefit provided to families or individuals who, due to special conditions related to accommodation, health and material status, have a social need.

88 For disabilities occurred after 18, there is a scheme in the pension system, which relates solely to those which were insured. Also, social assistance system provides for MOP and Carers’ Allowance in case of living in a poor family.
Assessment of the labour market in Montenegro

Aside from the listed benefits, incorporated in the laws are a number of benefits regulated by bylaws and other regulations.

6.4 Financing of Social Welfare

Social protection in Montenegro has two mains sources of financing – transfers from the state budget and contributions paid by insured persons. The social assistance part of expenditures, child and parental protection, is financed directly from the central budget. The insurance-based social protection is financed from respective contributions, whilst any deficit is covered by transfers from the state budget.  

On annual basis, social protection spending in Montenegro, both contributory and non-contributory, amounts to about €450.0 million or almost 20% of the GDP. Social protection benefits and allowances make up above 15% of the GDP, while social care, social services and measures account for about 1% of the GDP. Other costs, which primarily relate to the cost of institutions responsible for social protection, make up approximately 2% of the GDP.

7. INCOME POLICY

7.1 Wage policy

The basic elements used to form level of wages on the national level are named in the GCA concluded in January 2004. Actual relations are organized within sectors, branches and individual companies through negotiations between social partners (trade unions and employers).

GCA sets the national minimum wage, which serves as a benchmark for calculation of other wages according the employee’s education level. Current level of minimum wage is set to 55€.

Regulations concerning the minimum wage in Montenegro are slightly different from those in most of European countries. The minimum wage differs depending on the education level of an employee. Basically, every wage coefficient represents an assessment of the labour value, relative to the unqualified labour. The wage coefficient for unqualified (elementary school only) workers is 1 and means that their minimum wage is equal to the general (national) minimum wage (currently €55). Then, the same agreement gives also the set of coefficients this basic amount is to be multiplied by depending on the education level of an employee. The minimum for each level of education is calculated by multiplying national minimum wage by corresponding wage coefficient. Workers with 6-month education above the elementary level have the coefficient 1.2 that means that at the minimum they

---

89 See more under 6.2 Tax policy.
90 Includes public health expenditure.
Assessment of the labour market in Montenegro

should be paid by 20% more. The highest coefficient (4.0) has been set for employees with PhD level.

This system is inherited from the past. It represents an attempt to correlate wages with education as in socialists times the unqualified workers tended to earn more than the workers with the university degree.

The amount of the minimum wage in the economy can be altered either by changing the basic value or by changing coefficients, both of them being part of the GCA. The minimum wage is binding for all companies in the economy. However, it influences most strongly those working in public sector (public administration, education, public security, and health). Wages in this sector are regulated by The Law on Wages of Public Servants and Clerks and are directly linked to the national minimum wage and the education coefficients. In private sector, on the other side, minimum wage influences mainly the effective tax burden on wages. It is a common practice for employers to pay their employees the official minimum wage along with an unofficial supplement on which no wage-related taxes are paid. The resulting earnings of the employee are much higher than the reported minimum wage. There are debates on how to set up the system of minimal wage since there are views especially from the private sector that this is a burden for private sector development. Proposed terms are related to setting up the minimal salary and to avoid coefficients.

**Table 7: Wage coefficient according to the GCA**

<table>
<thead>
<tr>
<th>Qualification (education)</th>
<th>Wage coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unqualified work</td>
<td>1.00</td>
</tr>
<tr>
<td>Qualification 6 months</td>
<td>1.25</td>
</tr>
<tr>
<td>Qualification from 6 months to 2 years</td>
<td>1.60</td>
</tr>
<tr>
<td>High school education (2-3 years)</td>
<td>1.95</td>
</tr>
<tr>
<td>High school education 4 years</td>
<td>2.20</td>
</tr>
<tr>
<td>High school education with specialization</td>
<td>2.45</td>
</tr>
<tr>
<td>College education 2 years</td>
<td>2.80</td>
</tr>
<tr>
<td>College education 4 years</td>
<td>3.30</td>
</tr>
<tr>
<td>Master Degree</td>
<td>3.60</td>
</tr>
<tr>
<td>Doctorate</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Source: GCA, Official Gazette of Montenegro 24/06

Besides the minimum wage, the GCA also gives the set of very detailed rules that regulates the employment relationship. The role of GCA is additionally strengthened by the general rule, being quite standard in most of European countries, that the agreements negotiated on the lower level cannot worsen the position of employees as compared to the higher-level agreement.

**Table 8: Benefits of the worker according to the GCA**

<table>
<thead>
<tr>
<th>Summer allowance</th>
<th>Meal allowance</th>
<th>Insurance:</th>
<th>Paid leave</th>
<th>Hourly rate increase</th>
</tr>
</thead>
</table>
After the four years in which GCA has been implemented in Montenegro, Task Force on Amendments on GCA was formed. At the current moment, their work is in progress. The fields of disagreement relate to the issue of the coefficient of the work complexity. The common opinion of all parties involved in the process is that the current level of wages has to be preserved.

### 7.1.1 Amendments to the General Collective Agreement

On November 2010, General Collective Agreement on Amendments to the General Collective Agreement was signed. The Task Force for harmonization of the General Collective Agreement with the Labor Law achieved consensus by agreeing to the fullest extent possible all issues which have appeared as controversial in the past from the entry into force the Labor Law (August 2008).

The Task Force established by the Social Council of Montenegro, which led negotiations on Amendments to the GCA was composed of representatives of the GoM, then both Unions registered at the national level, representatives of employers' organizations. Significant contribution to these negotiations was given by representatives of the University of Montenegro.

The proposed amendments to the GCA established conditions for protection of the most vulnerable categories of employees, and that in times of economic crisis the overall benefits to employees are kept at the same level as in the previous period.
The crucial amendments to the GCA are the result of negotiations in the Task Force which were led in the two following directions:

- Harmonization of the GCA with the Labour Law, and
- Reform of the system of calculation of wages in line with international practice.

1. The most important result of reconciliation of the GCA with the Labour Law is the introduction of the institute of minimum wage instead of minimum price of labour in Montenegro, as well as determination of its level. It is agreed that the minimum wage of an employee for standard working performance and full working time for an average of 176 hours a month can not be lower than 30% of the average wage in Montenegro in the previous six months. The minimum wage should provide a minimum of social and material security of the lowest paid employees, especially in terms of disruptions in business, when it is not possible to exercise the right to fair remuneration. So, in this way the most vulnerable groups of workers are protected and adequate incentives for the reduction of informal economy in employment and payment of taxes and contributions are put in the place.

2. The provisions relating to disciplinary action (defined as minor and major violations of labour duties) are complied with the Labor Law, and also the provisions relating to absence from work with or without compensation to the salary (paid and unpaid leave) are specified.

3. The GCA introduced accounting value of rate coefficient in the gross amount, as replacement to the current minimum price of labour, which has so far been determined in the net amount. In this part related to the reform of the system of accounting of salaries, it was started from the legal obligation to treat accounting of salaries according to the principle of gross salary).

4. Allowance for paid vacation (up to now it was a one-time annual payment to employees) and a hot meal in fact are not abolished with the amendments to the GCA. According to the proposal of the amendments to the GCA in the calculation of salaries the category of starting part of salary is introduced, which is calculated as the corresponding part of the accounting value of the coefficient and in its essence has to match to the value of previous compensations for hot meal and allowance for paid vacation in the monthly amount. The effect of these changes is that it does not reduce salaries, and employees are guaranteed with the regularity of payment of previous compensations for hot meal and allowance for paid vacation on a monthly basis. All this means that salary is composed of the amount obtained by multiplying the accounting value of the coefficient and the coefficient of the complexity of groups of jobs, plus a starting part which, represents the value of previous compensations for hot meal and transportation in the monthly amount.
Assessment of the labour market in Montenegro

5. It is envisaged that the annual value of the coefficient in the gross amount (minimum price of labour, PIT and contributions paid by employee) and the starting part of the salary (hot meal and 1/12 of allowance for paid vacation), for an average of 176 hours a month, are determined by a special agreement in the negotiation process among signatories of GCA.

6. The manner of termination and cancellation of the GCA is regulated as well. This is a novelty compared to the existing GCA, and in this regard it is provided that each party in the GCA may partially or fully cancel it before the deadline for which was concluded and this has to be notified with an explanation to the other parties at least three months before the dismissal, as well as with the obligation to submit to other contracting parties the new GCA of the part which is canceled. In this case, the parties in the contract will immediately enter into negotiations and if in the course of two months do not agree, the resolution of disputable matters is entrusted to the Agency for the Peaceful Resolution of Labor Disputes (collective labor dispute), that can contribute to more efficient achievement of consensus in the social dialogue.

7. The validity of this Agreement (12/31/2011) is determined and it can be modified before the prescribed deadline and in the process and in the manner provided in this GCA. The parties in the GCA will enter into negotiations for the conclusion of the new GCA immediately after the entry into force of amendments to Labor Law.

7.2 Tax policy

During the last five years, in the field of direct taxes proportional system of taxation has been introduced. The aim of that was creation of simple, transparent and efficient tax system, with one rate set below 10%. As of January 1st of 2005, the rate on corporate income tax (CIT) is 9%. The rate on personal income tax (PIT) in 2007 amounted to 15%, in 2009 12%, and as of January 1st of 2010 it was reduced at the level of 9%. This is related to the all levels of salaries, with the tax free income of 70 Euros per month. It is expected that equalization of these two tax categories should eliminate incentives of the tax payers to manipulate with transfer of income from one tax base to the other, since this rate is the same for personal and corporate income. At the same time, such a reduction of tax rates as far as direct taxes are concerned makes Montenegro a leader in the tax competitiveness not only in the region, but in Europe as well.

In accordance with the Law on Contributions for Obligatory Social Insurance, employers in Montenegro are obliged to pay taxes and obligatory social insurance on behalf of the company and on behalf of the employee.

The Law on Contributions for Obligatory Social Insurance prescribes mandatory social insurance, contribution rates and basis, as well as other issues related to the payment of contributions for mandatory social insurance. The contributions for the
Assessment of the labour market in Montenegro

**mandatory social insurance** include the following:

- pension and disability insurance,
- health insurance,
- insurance in the case of unemployment (as above discussed these are revenues of the EAM).

Holders to the right to the insurance in the case of unemployment, recognized by this Law, are employed persons, persons with temporary and occasionally jobs, appointed and elected persons who receive salary related to the function, Montenegrin citizens who are employed with the foreign or international organizations and institutions on the territory of Montenegro, as well as with the embassies and consulates or foreign legal or physical persons, foreign citizens and persons without citizenship who are employed with the foreign legal and physical persons on the territory of Montenegro, foreign citizens and persons without citizenship employed with the international organizations and institutions and the foreign embassies and consulates on the territory of Montenegro, etc.

The basis for calculation and payment of the contributions in the case of unemployment is the wage, or compensation for the labour provided, in accordance to the *Law, Collective Agreement* and *Labour Contract*.

**Table 9: Taxes and contributions on employment in Montenegro**

<table>
<thead>
<tr>
<th>Taxes and contributions</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax (flat)</td>
<td>15%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Contributions (employee)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution for pension and disability insurance</td>
<td>12%</td>
<td>12%</td>
<td>15</td>
</tr>
<tr>
<td>Contribution for health insurance</td>
<td>6.5%</td>
<td>5.0%</td>
<td>8.5</td>
</tr>
<tr>
<td>Contribution for insurance against unemployment</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Contribution (employer)</strong></td>
<td>15.0</td>
<td>14.5</td>
<td>9.8</td>
</tr>
<tr>
<td>Contribution for pension and disability insurance</td>
<td>9</td>
<td>8.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Contribution for health insurance</td>
<td>5.5</td>
<td>5.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Contribution for insurance against unemployment</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

*Source: Ministry of Finance*

During the last couple of years the level of taxes and contributions declined starting as of 2003 when overall taxes and contributions on wages were at the level of more than 100%. At the present moment, the overall tax burden is at the level between 40% and 50% of the gross wage.

As it can be seen from the table above, the level of overall taxes and contributions is declining over the years and currently overall taxes and contributions are at the level...
Assessment of the labour market in Montenegro

of 63% of net wage. This kind of policy is making Montenegro more business friendly and is also removing the barrier due to which most of the employers in Montenegro were reporting minimal wage in order to pay minimal taxes and contributions. Although it was planed further reduction to the level of 50%, due to the economic problems caused by the global economic crisis, Government of Montenegro decided to increase pensions and health contributions all with the view to make social system more sustainable in such economic situation. However, rate on PIT was reduced to the planed 9%.

Since there was the increase of contributions for pension and disability insurance, as well as, contribution for health insurance that is paid by employees, this might also be an incentive for employees not to declare a work. However, ISSP assessment is that this increase is temporary (due to crisis), and the level of contributions will continue to decline in the future because the long-term policy regarding taxes and contributions is designed in that way. According to the our assessment, employees are not ready to move to undeclared work in short-term, since that decision could complicate their labour market status after overcoming the crisis.

8. EQUAL OPPORTUNITIES POLICIES

8.1 Gender issue

The legislative framework from the gender equality field has been established by the entering into force of the Law on Gender Equality ("Official Gazette of the RoM", no 46/07). This Law regulates the way of ensuring and exercising the right of gender equality, in line with the international documents and general rules of international law, as well as the measures for eliminating gender discrimination and creating equal opportunities for participation of men and women in all the fields of social life. The Law has established the state administration organ in charge of affairs regarding the realization of gender equality, and that is the Ministry for Human and Minority Rights Protection. The Law also emphasizes the role of civil sector and it also gives a significant space for the operation of non-governmental organizations in all the activities of reaching gender equality.

The rise in female employment rate represents a significant factor for establishing equality among genders in employment, unemployment and financial transfers. A significant factor for higher active participation of women in the labour market is presented through setting a balance between professional and family life, mainly through provision of protection for children and elderly dependants. Social partners have particular role in providing gender equality.
The share of women in total employment in 2009 is 45.15%. This indicator rose in last period. In 2000 it was 42.80%\textsuperscript{91}.

Woman in Montenegro has the following rights related to the maternity leave:

1. During the pregnancy, childbirth and care, the employed woman is entitled to the maternity leave in the duration of 365 days from the date of birth of the child.

2. Based on the findings of a competent health authority, an employed woman may initiate the use of the maternity leave 45 days before the childbirth, but no later than 28 days before the childbirth.

3. The employed woman may start working prior to the expiration of the leave determined by the Law, but not prior to the expiration of 45 days from the day of childbirth. If an employed woman starts working prior to the expiration of the leave determined by the Law, in addition to the daily break, she is entitled to use additional 60-minute absence from work for baby breastfeeding. In the case when employed woman starts working prior to the expiration of the leave determined by the Law, she is not entitled to continue to use the maternity leave.

Female participation in self-employment programs organized by the EAM is 44%. The percentage of extended loans to women would be higher, if the women in Montenegro are not faced with the existence of barriers for providing collaterals in order to get loans. Namely, the Montenegrin tradition of inheriting the right of real estate property title among men represents a barrier to women when applying for loans, since banks require higher mortgages. In Montenegro women are real estate owners only in 1% of cases. However, their share in active employment policy projects is 57%. Women tend to more readily accept training programs offered by the EAM and are more willing to take offered job, even when they do not correspond to their qualifications. EAM provided equal conditions for both genders in all project phases that fall under the EAM competences.

Women are in worse position on labour market in comparison with men. Women register smaller rates in participation on the labour market, contributing more at the domestic work. This is also because of the discontinuities related to maternity, child rising and care vacations. Childcare facilities in Montenegro, as supporting services to the working parents, are still not fully responding to the need of better reconciliation of work and private life. The system of other care facilities is also not yet fully developed (day care centres and similar). For example, most preschool institutions have breaks during the winter and during the summer.

Female employment is the highest in services, such as hotel keeping, catering, trade, etc. They are highly present in the education system, especially in pre-primary education. It is suggestive that their share is higher in lower-paid sectors. There are

\textsuperscript{91} This data are related to number of women who have agreement with employers. In analyzing total employment, that includes unregistered employees, the share of women in 2009 is 42.86%.
only few of them at the leading and managerial positions, while representing majority in less complex administrative jobs. Smaller wages, due to weaker fructifying of women’s work and its belonging to economic fields with smaller rewards –until adult age women earn in average 2/3 of the amount earned by men.

Further progress must be achieved in the area of promoting equal treatment of women and men in the workplace. National strategy for employment and human resource development 2007-2011 defines measures that should be done in order to achieve higher share of women on the labour market. These measures are the following:

- Continue with the process of bringing the national legislation pertaining to equal gender opportunities, in compliance with the EU legislation.
- Maintaining equal access of women and men to training and active measures for employment.
- Implementation of education and training programs with higher participation of women, aiming at increasing their employment opportunities in those sectors where they are less represented.
- Boosting entrepreneuruship of women.
- Improving and developing a network of public and private institutions for childcare, in order to increase the percentage of children included in the childcare system, until they reach the school age.

Additionally, in achieving the goal of higher participation of women on the labour market, measures for easier job retake for women returning from the maternity leave should be introduced. This can be also addressed through employment contracts containing all precise details to prevent potential mothers from remaining jobless and improve the position of housewives. It means that family obligations of housewives are substantial and their contribution to the family and society is immeasurable. Due to that, it is necessary to set a legal and financial framework to define their status, so that they gain entire possibility to the economic independence.

8.2 Vulnerable groups

Equal opportunities policies are related to vulnerable groups, too. Crucial measures are improvement of conditions on the labour market for people with special needs, migrants and ethnical minorities. It is therefore necessary to provide additional assistance to discriminated groups, mainly those with low education level, social benefit claimants and single parents. Employers should enable higher participation for disadvantaged groups when hiring workers.

92 The Law on Minority Rights and Freedoms (the Official Gazette of the Republic of Montenegro, no 38/07) lays down more precisely the set of minority rights and the mechanisms for protection of those rights. The Law refers to keeping the minority national identity, namely, the defence from minority assimilation, as well as enabling an efficient minority participation in public life.
Vulnerable groups also include young and long-term unemployed persons. According to the Strategy for reduction of poverty and social exclusion, which was adopted in July 2007 by the Ministry of Labour and Social Welfare, these groups are also among the groups targeted for assistance in the field of education and later in the employment campaigns.

Due to various difficulties, these persons are usually found in poor socio-economic position; they are less competitive than other unemployed, which is the reason why it is more difficult for them to find employment. Owing to inappropriate living conditions and numerous failures in finding a job, many lose interest and motive for employment, becoming therefore permanently dependent upon social aid. Some of the mentioned groups may belong to more than one group, which additionally aggravates their situation regarding employment. The problems related to social exclusion are numerous and different. Socio-economic troubles often cause health and psychological problems among the members of these groups.

The Constitution in Article 68 guarantees special protection of persons with disability. The protection of persons with disability is regulated by: the Law on Professional Rehabilitation and Employment of the Disabled Persons, the Law on Social and Children’s Protection, the Law on Privileges for Persons with Disability in Internal Passenger Transport, the Law on Protection of War Veterans and Disabled Persons and, the Law on Pension and Disability Insurance. In 2007 the Government of Montenegro adopted the Strategy for Integration of Persons with Disabilities, for the period 2008-2016. The Strategy was adopted for the purpose of improving the position of persons with disability and their integration in social flows. This document tackles the areas of health care, social welfare and pension and disability insurance, education, professional training and employment, accessibility, culture, sports and recreation, and the area related to the position of associations of disabled persons in the civil society. The Strategy envisages measures and activities, which should be undertaken in the period in question, so that the position of persons with disabilities in Montenegro is brought into line with European standards and especially standards prescribed by the UN Convention on the Rights of Persons with Disabilities. Realization of the goals set by this Strategy is covered by the Action Plans which are detailed for each year in the stated period. In addition to that, in 2009, Montenegro adopted the Law on Ratification of the UN Convention on the Rights of the Disabled Persons (Official Gazette of Montenegro – International Agreements No. 2/09). Adoption of the Strategy for Integration of Persons with Disabilities in Montenegro, and adoption of the Law on Ratification of the UN Convention on the Rights of the Disabled Persons creates conditions that oblige all state and local institutions that, during the elaboration of policies and legal documents relating to persons with disabilities, they make sure to consult organizations of persons with disabilities. It is

93 GoM has prepared Amendments to this Law, that entered into Parliamentary procedure, which is ongoing at the moment. It is expected that the new Law will be adopted during the autumn session of the Montenegrin Parliament.
important to state that in 2009 many municipalities initiated elaboration, or have completed local action plans for persons with disabilities.

It is important to mention that in November 2009, Parliament of Montenegro adopted the Law on Mobility of Disabled Person with the Aid of Guide Dog, that replaced previous Law on Mobility of Blind Person with the Assistance of Guide Dog ("Official Gazette of Montenegro", No. 18/08). According to it, disabled person (blind person, deaf person and person using wheelchair) with the guide dog uses road, rail, sea and air transport, has free access and can stay in public place, as well as working place. These rights are also referring to disabled foreign person with guide dog when he/she with the appropriate document confirms that he/she is disabled person with guide dog according to the rules of origin country. Penalties envisaged in the case of breach of this Law by legal person range from 30 to 50 minimal wages and by entrepreneur from 10 to 30 minimal wages.

EAM has carried out a range of programs and activities regarding incentives for treatment of persons with disability, aiming at their higher inclusion in the labour market and gaining economic independence. EAM takes part in funding workplace equipment for persons with disabilities, offers professional assistance to all employers when selecting an appropriate person with disability for a job, organizes in-service programs for practical training of persons with disability, co-funds their wages during traineeship, co-funds their preparation for employment, co-funds their contributions for social insurance for the first 2 years of employment and co-funds a quarter of these contributions for each successive year.

8.2.1 Education of adult persons with disabilities

One of the goals envisaged by the Strategy for Integration of Disabled Persons for the period 2008-2016 is to establish system solutions through formal and informal education aimed at lifelong learning and education. Namely, at the request of the EAM, in accordance with needs of the labour market, the Centre for Vocational Education has developed educational programs for training. The Centre for Vocational Education prepared 3 educational programs to train them for certain occupations (assistant tailor, assistant shoemaker and shoemaker), in collaboration with experts from educational institutions where people with special educational needs are educated. Programs contain general guidelines for training of people with special educational needs and guidelines for implementation of the program related to the number of participants, length of training and teaching staff which shall run the program. Programs are elaborated in accordance with national knowledge.
Assessment of the labour market in Montenegro

standards for appropriate occupations and designed to be adapted for persons with disabilities.95

In March 2010, GoM adopted Action Plan for Implementation of the Strategy for Integration of Persons with Disabilities in Montenegro. This is the third Action Plan since the implementation of the Strategy and third year in the row it is result of the strong cooperation with the NGO sector in this field. The Action Plan is an overview of activities and priority measures with the clearly identified bearers as well as deadlines. Council for the care of disabled persons gave full support to this Action Plan. The total amount envisaged for the realization of all programs is set at the level of 1.358 million Euros.

8.2.2 Employment of disabled persons

Employment of persons with disabilities was problematic in Montenegro as well as in other neighbouring countries. In order to assist and improve employment of these persons, during 2008 Government of Montenegro adopted the Law on Professional Rehabilitation and Employment of Disabled Persons, which entered into force in mid 200896. This Law is partially aligned with Council Directive 2000/78/EC which defines the general framework of the equal employment and professional engagement treatment, Council Resolution 1999/C186/02 on equal employment opportunities for disabled persons, Council Resolution 2003/C175/01 on social inclusion – through the social dialogue and partnership. It is believed that this Law will help social inclusion and better employment of the people with disabilities. The Ministry for Labour and Social Welfare, through the labour inspection, performs supervision over the implementation of this Law.

According to the Law on Professional Rehabilitation and Employment of Persons with Disabilities, person with disability is every person with certain disability which lowers his/her possibility for employment or lowers his/her possibility to maintain the current work position. The Law regulates the procedure of professional rehabilitation with the aim of faster employment of those persons and the procedure of establishment and operations of institutions specialized for training and employment of persons with more severe disability who cannot be employed under the general conditions. Also, the Law stipulates special facilitations for the employment of

95 It is worth mentioning the activities of the following NGOs carried out in 2009: the Association of Parents of Children with Disabilities "Ray of Hope" in cooperation with the Employment Office of Montenegro - Pljevlja Bureau, Association of Youth with Disabilities, the Association of Paraplegics of Montenegro (computer courses), Union of the Blind, etc.

96 Implementation of this Law was supplemented by the adoption of the following rulebooks: Rulebook on conditions and criteria for determining the remaining working capacity and employment opportunity; Rulebook on conditions and manner of exercising the right to vocational rehabilitation; Rulebook on detailed conditions, criteria and standards for implementation of measures and activities of vocational rehabilitation; Rulebook on conditions to be met by institutions for vocational rehabilitation, labour centre, safety workshop and safety plant; Rulebook on detailed conditions and manner of exercising the right to subsidized income of persons with disabilities.
Assessment of the labour market in Montenegro

disabled persons and it lays down the procedure for the establishment of the Fund for Professional Rehabilitation and Employment of the Disabled Persons as well as its competences.

Special account of the Budget of Montenegro - Fund for Professional Rehabilitation and Employment of Disabled Persons was established by the Order on amendments to the manner of payment of public revenues (Official Gazette of Montenegro, No. 56 of 19 September 2008). In order to monitor the implementation of measures and activities that are conducive to improvement of professional rehabilitation and employment of persons with disabilities, and to purposeful use of the Fund’s assets, the EAM has established the Council of the Fund (Decision No. 02-3751 of 27 May 2009), for a period of four years, in accordance with the provision of Article 40 of the Law on Professional Rehabilitation and Employment of Disabled Persons. The Council of the Fund operates during sessions, in which decisions are made in accordance with the regulations in the field of vocational rehabilitation. Thus, decisions were made that assets of the Fund for Professional Rehabilitation and Employment of Disabled Persons should be used to finance a pilot project "Application of the Law on Professional Rehabilitation and Employment of Disabled Persons" and the public work "Sunny Workshop", which is implemented in all municipalities of Montenegro.

The Council of the Fund for Professional Rehabilitation and Employment of Disabled Persons, at its meeting on 18 October 2009, decided to re-announce the competition for allocation of loans to persons with disabilities under more favourable conditions. The competition was announced for an indefinite period of time, and the loan funds will be charged to the Fund. In 2009, there was no interest from persons with disabilities to participate in programs "Encouragement of self-employment" and "Provision of basic knowledge in entrepreneurship", implemented by the EAM. Consequently, number of loans granted amounted zero and the same goes for the number of persons with disabilities trained to run a business.

According to the Law on Professional Rehabilitation and Employment of Disabled Persons, every company has the obligation to employ persons with disability. The Law introduces the following quotas for employment of people with disabilities:

- company with 20-50 employees is obliged to employ one person with disabilities;
- company with more than 50 employees is obliged to employ 5% of persons with disabilities out of total number or employees.

Also the Law prescribes that every kind of discrimination is prohibited in the period of professional rehabilitation or in the period of employment. Employers have to harmonize work space for persons with disabilities and also to provide necessary professional rehabilitation for these persons. EAM has the obligation to control process of employment of person with disabilities from the moment they receive the Labour contract from employers.
Assessment of the labour market in Montenegro

According to this Law, employers are obliged to establish Centre for Work. The main position at this Centre is executive board and its main activities are the following: (i) definition of the program of work; (ii) preparation of the Final Account, (iii) acceptance of the Final Financial Report.

Employers who want to employ person with disability have the special benefits:

- financial resources for the harmonized work space for person with disability;
- loans under special conditions for the purchase of equipment;
- part of financial costs covered for personal assistant for the person with disability;
- benefits for the wage of the persons with disability.97

Employer, who failed to employ persons with disabilities is obliged to pay special contribution for rehabilitation (in the amount of 20% of the average wage in Montenegro) for each of them. Employer with less than 5 employees is obliged to pay 1%, while the employer with 5-20 employees is obliged to pay 5% to the special fund for rehabilitation.

According to the National Strategy for Employment and Human Resources Development 2007-2011, the main measures in the field of increasing the share of vulnerable groups in labour market are the following:

- Adoption of the Law on Professional Training and Employment of Disabled Persons aimed at: creating conditions that would enable physical access (removal of architectural barriers) for these persons to all institutions and organizations and setting up a special fund to stimulate employment of persons with disabilities.
- Assisting the establishment of specialized agencies, which will assist vulnerable groups in finding employment.
- Raising awareness about the need to increase employment of disabled persons and making them economically and socially active.
- Higher level and quality of social partnership pertaining to the integration of vulnerable groups on the labour market.
- Increase in the quality of services provided to unemployed persons from vulnerable groups.
- Encouraging RAE population to take part in active employment policy measures (stimulating their interest and improving their access to the measures).
- Boosting motivation and training of vulnerable groups, first of all disabled persons, through their active involvement in the work process; organizing foreign language

---

97 Also, self employed person with disabilities has the rights to these benefits.
Assessment of the labour market in Montenegro

courses, development of additional skills and competences in applied arts, as well as the provision of physical-therapeutic services.

Each year, GoM adopts Decree on Tax Incentives for Hiring Certain Categories of Unemployed Persons, in order to encourage employment of persons who are considered difficult to employ, including persons with disabilities, with duration of one year. According to this Decree, employers who hire persons with disabilities are exempted from paying more than 50% of fiscal liabilities (taxes and contributions for mandatory social insurance) to the employee's earnings. Implementation of this Decree in the period 2006-2009 gave positive results. Namely, the number of persons hard to employ (redundant, long-term unemployed, etc) was reduced from about 12,000 in 2006 to about 5,500 in 2009. Also, through program of seasonal and public works during 2009 significant number of persons was employed. The expectations are that during 2010, 4,000-5,000 persons will be employed.

As a part of regular activities, EAM develops an individual employment plan with unemployed individuals, which serves as an agreement about planned activities of that person, while searching for employment and participating in programs of active employment policy. When it is estimated that a person has such barriers to employment that, before they are eliminated, he/she is not eligible for mediation, it is necessary to make a plan of professional-medical rehabilitation. Adoption of the Law on Professional Rehabilitation and Employment of Disabled Persons and Rulebook in the field of vocational rehabilitation of persons with disabilities defines the procedures for developing vocational rehabilitation plans for each unemployed person who, in the process, is found to be in need of involvement in programs of vocational rehabilitation for work integration. In this regard, on 1 November 2009, EAM initiated execution of the pilot project "Implementation of the Law on Professional Rehabilitation and Employment of Disabled Persons", for a period of 3 months. The first part of the project focused on training of the necessary and deficient personnel to work in vocational rehabilitation programs of persons who have more difficulty in finding employment: doctors in occupational medicine, psychologists, occupational therapists, social workers, occupational technicians. The second part of the project is the vocational rehabilitation process: determining the remaining work and other capacities of unemployed persons with barriers to employment – rehabilitants and their participation in brief vocational rehabilitation programs.98

Following the adoption of the National Employment Strategy and Development of Human Resources for the period 2007-2011, the National Action Plan for 2008 –

---

98 The public service of Radio Television Montenegro broadcasts an ongoing program entitled "Make a Move" at a given time every Sunday and all print media publish supplements, at least once a week, in which citizens are regularly informed about the activities of the EAM, especially regarding activities of persons with disabilities. Also, consultants for working with employers in all employment offices on the territory of Montenegro continuously inform employers about incentive measures in case of employing a person with disabilities.
Assessment of the labour market in Montenegro

2009 was developed. Under Priority 3 - Strengthening social cohesion, the following goal was established: prevention of social exclusion – positive measures / activities for disadvantaged / vulnerable groups, as well as measures through activities that need to be implemented in 2009.

In accordance with the envisaged activities, in 2009, a total of 146 programs of preparation for employment were carried out (acquisition of key skills, vocational training, additional training and retraining) and 104 national and local public works, which involved 1183 persons with difficulties in finding employment, of whom 246 were persons with disabilities and 937 of them had a reduced work capacity (deafness, poor eyesight, combined disorders, etc.), but did not have the status of persons with disabilities and did not belong to any other category. All persons engaged in public works had a part-time job during such public works (69 persons with disabilities). Year 2009 has seen continued implementation of a program entitled "I'll make it", as well as measures of the active employment policy, which are implemented for persons with disabilities and other barriers to employment, in order to increase personal skills of such persons, for their successful inclusion in the labour market.

In 2009, this public work involved 869 unemployed persons with barriers to employment, in 16 municipalities of Montenegro. The program was conducted through two specialized agencies for working with persons who have difficulties in finding employment.

In this regard, it should be mentioned that one of the priorities is support of the inclusion of women with disabilities into the labour market. Related to that, according to the inputs got from EAM, in 2009 number of programs of active employment policy was 250 and participation of women in programs was 60.7%.

The greater employability of persons with disabilities definitely requires inclusion and greater participation of social partners, particularly the local self-Government, all with the view to shape and implement specific employment programs for persons with disabilities. In order to implement 104 public works, the same number of Protocols on cooperation with social partners was signed with Government institutions, the NGO sector, local self-Government, etc. In addition to that, cooperation between the Ministry of Labour and Social Welfare, the EAM, the Ministry of Education and Science and the Centre for Vocational Education was established in the process of education, vocational rehabilitation and employment of persons with disabilities.

Database for people with disabilities is an integral part of the application program for registering unemployed persons, which was set up 10 years ago, and is adjusted to the work technology, in accordance with regulations of the EU and Montenegro. At the end of 2009, the records of the EAM registered 2484 persons (1894 disabled workers and 590 people of various categories).
On July 30th 2010, *Memorandum on Cooperation* establishing basic principles of common cooperation among signatories, with the aim of its effective implementation that should lead to the enhanced employability and employment of persons with disabilities, was signed. Signatories of Memorandum are the following:

- Ministry of Labour and Social Welfare
- Employment Agency of Montenegro
- Union of Employers of Montenegro
- Confederation of Trade Unions of Montenegro
- Union of Free Trade Unions of Montenegro
- Union of Municipalities of Montenegro
- Union of Blind of Montenegro
- Union of Organization of Deaf Persons of Montenegro
- Confederation of Association of Parents of Children and Youth with difficulties in Development “Our Initiative”
- Association of Youth with Disabilities of Montenegro
- Paraplegic Association of Montenegro

Although Montenegro adopted the *Law on Professional Rehabilitation and Employment of Disabled Persons*, it was recognized the fact that in order to have better implementation of this *Law*, this kind of *Memorandum* was necessary precondition. During preparation of the text of Memorandum, representatives of organizations protecting rights of disabled persons were actively involved. Memorandum is focused on the following issues:

- Advancement of the statistics database on disabled persons;
- Development of the common programs and projects that will create greater possibilities for employment;
- Raising knowledge of employers on subsidies for employment of disabled persons;
- Establishment of protective workshops;
- Further support to the self-employment;
- Establishment of awards for enterprise with the greatest number of disabled persons employed.

This Memorandum envisages procedure of monitoring and evaluation of achieved results by establishing respective Coordination Team.

### 8.2.3 Position of youth on Montenegrin labour market

During the 2006, Montenegro adopted the *National Youth Action Plan (NYAP)* referring to the period 2007-2012. This Plan is welcomed by the Government of Montenegro, Employment Agency of Montenegro, NGO sector, Delegation of European Union in Montenegro. So far, the evaluation of this action Plan has not
Assessment of the labour market in Montenegro

been conducted. NYAP is designed to review the current situation in Montenegro and thus provide the basis for future progress of the situation of young people in Montenegro.

NYAP analyzed the position of youth in Montenegro which included the analysis of the following nine fields: education, employment, health care, participation in social life, human rights, cultural life, leisure, access to information and mobility, and family life. This document also defines strategic goals and actions for all nine fields for five years, from the date of adoption of the document, as well as indicators for the evaluation of the efficiency of those activities, i.e. the degree of realization of each individual objective.

Key indicators that should ensure not only the quality of the development of NYAP, but also the quality of implementation of NYAP, are as follows:

- The level of youth participation in creating the programs;
- Satisfaction of youth by the programs which are conducted;
- The aspect of gender equality, the specificities of national/ethnic/religious and linguistic groups, the specificities of groups of youth people marginalized by various bases.

Although the indicators of the success of implementation are defined, the evaluation of this Action Plan has not been conducted, since these indicators are not yet known.

The main educational goals and activities defined by this document relate to enabling the education for all, through the inclusion and provision of equal opportunities in education (especially for young members of marginalized and minority groups and youth with disabilities and special needs). Also, the improvement and development of extra-curricular activities based on the needs of youth through the organizing workshops on relevant topics and opening of counseling offices for young people is one of the priorities. The NYAP puts emphasize on support and development of programs of informal education. This should be achieved through the creation and development of training programs, provision of the conditions for the realization of those programs, preserving the quality of informal education, etc. Also, improvement of pupil and student standard takes significant place which relates to the better access to modern technologies, the availability of students loans, better life conditions in dormitories, etc. Main goals from NYAP also relates to the ensuring of youth participation in the process of harmonization of the education system to EU standards, as well as, provision of conditions for professional development through the provision of scholarships for professional development, provision of funds for talented students and the stimulation of the organization of study tours and exchange of students.
Assessment of the labour market in Montenegro

Particularly, the goals and activities that relate to the employment of young persons are important for the conclusions in this Study, since around 17% of these persons is registered as unemployed by the EAM.

The goals and activities that refer to the labour market issues of youth are focused on the following:

- Better balance between supply and demand at the labour market through the strengthening of vocational services and career management, stimulating rehabilitation and employment of young persons with disabilities, supporting the programs aimed at increasing the working capacity (practice, volunteer work in NGOs and other institutions, education, etc.), supporting the programs for inclusion and employment of vulnerable groups using the methods of training, qualifications and commitment of the NGO sector, supporting the entrepreneurial culture of young people and small business development through education and self-employment programs, provision of favorable conditions for youth employment in the NGO sector.

- Encouragement of innovative programs in accordance with the strategic directions of economic development.

- Equal working conditions and employment of youth by providing the mechanisms for protection against discrimination in employment and career development in private and public sector, improving conditions for the validation of diplomas for young people who obtained them abroad, providing the valuation of non-formal education to facilitate employment of youth, etc.

GoM designed NYAP with a numerous active labour market measures for young persons who are seeking for a job such as:

- training courses that include: three days orientation and application training for young graduates, training with work practice in SMEs for young managers, training in generic skills, pre-training for a specific job, etc.;
- referral to seasonal jobs for graduates,
- public works for young persons with disabilities,
- traineeships with wage subsidies for graduates,
- self-employment scheme for RAE people, etc.

However, data on many indicators that could be used for precise evaluation of these programs and measures are not available. Therefore, the level of the implementation of NYAP is questionable, since efficiency, effectiveness and impact of conducted activities is not completely known. However, according to the EAM register, the number of young unemployed persons in 2006 amounted almost to 22%, while that percentage currently amounts 17%. This indicates that activities defined in NYAP gave positive results.
Assessment of the labour market in Montenegro

Still, reducing the number of unemployed youth in Montenegro is not only a consequence of NYAP policies. Also, positive economic environment since 2006 (after Montenegrin independence), as well as, reducing business barriers have contributed to a more easily implementation of active employment policies and in that manner reduction in the number of young unemployed work force. On the other side, during the global financial crisis 2008-2010, the number of unemployed persons in Montenegro has grown up (around 2%), but the number of youth was at approximately the same level or decreasing, which partially indicates the success of youth policies.

However, further progress is needed in the implementation of NYAP in order to reduce the percentage of youth participation in the total unemployment and the number of young persons who work in “grey economy”, to shorten the time spent on records of EAM, reduce the level of disparities in the labour market through the increased meeting of the needs of employers for particular occupations, skills and knowledge. Also, there is a need for continuous improvement of quality in the provision of information related to vocational guidance and career guidance, the increase of the number of experts working in the field of vocational guidance and career management, the increase of the number of youth with disabilities in training programs and employment, the increase of the number of youth who participate in trainings for employment, public works programs, social activities, environment protection, etc. There should be more activities related to the higher participation of young RAE population in literacy programs and trainings for the acquisition of first occupation and employment, etc. Focus on the realization of these activities would enable satisfaction of young people and contribute to better performances of the labour market.

8.2.4 Youth Employment

Under the vulnerable group, young people are appertaining, because of various practical reasons. Their inclusion in the labour market, so far, was in a very precarious level. Young people represent the driving force of an economy, the future of society as a whole.

Special statistics in Montenegro are conducted for the unemployed people, younger than 25 years. This is very sensitive group which, in the most cases, for the first time after graduating, is seeking for an employment.

At the end of 2009, at the registry of unemployed persons, people younger than 25 years had the share of 17.01% (5133 persons) in the total number of unemployed in Montenegro. This disturbing fact represents one of the major problems for the Montenegrin labour market. At the same time, of the total advertised vacancies, only 2344 or 4.94%, were intended for purposes of hiring interns (new work force).

During 2009, 146 programs, among others, were dealing with this problem, by preparation of the Montenegrin people (age regardless) for employment. Those
Assessment of the labour market in Montenegro

programs included 2211 participants. For conduction of those programs Government of Montenegro allocated €768,719.60.

Also, various other active employment policies were dealing with this problem: Education programs for vocational trainings, Programs of acquisition of key skills, Seasonal Employment and Employment of Interns. All these programs (except the last one) are also designated to other groups of unemployed persons.

By the program, Employment of Interns (which is directly intended for graduates), in 2009, 1467 of young persons is included at the Montenegrin labour market. This fact supports the success of this project, but it is still insufficient. Everybody in the society, Government, NGOs and businesses, in the future must include creation of employment opportunities for young people in Montenegro.

8.2.5 Employment of long-term unemployed persons

At the end of 2009, 8876 persons who are unemployed more than three years have been seeking for the new employment (29.42% of total unemployed in Montenegro), while also, 5095 unemployed persons who are unemployed more than five years (16.89%), were on the waiting list for the employment.

Due to the fact that more than 40% of long-term unemployed were on the waiting list for employment in 2009 (even the greater number was registered in the previous years), there was a need for programs and activities aimed for inclusion of this category of unemployed persons in the labour market. Program for long-term unemployed is performed through information and motivation seminars (workshops), toward more active and efficient involvement of individuals in their job search.

In 2009, 84 seminars were conducted for long-term unemployed people, which were attended by 1064 unemployed persons. The majority of workshops were organized in Podgorica (19), the participation took 235 of long-term unemployed.

Active employment policies regarding long-term unemployment (based on the participation of long-term unemployed in the measures) showed very good results. However, there are not enough possible employment prospects afterwards.

According to ISSP estimation of the ALMP's, these policies must be improved by new creative employment prospects and initiatives for long-term unemployed. However, preconditions for such initiatives are inclusion of employers in these initiatives through different workshops where employers, employees in various companies and unemployed people, could share opinions and experiences. Employers must be introduced with the capabilities of the long-term unemployed persons prior and after trainings and workshops in order to specify the position in the company where the long-term unemployed person could work in efficient manner.
On the other hand, ALMP’s should also stimulate the unemployed persons to become entrepreneurs. In such manner, good habits must be further enhanced in order to obtain long term results.

**8.2.6 Education of ethnic minorities**

In Montenegro, under the ethnic minorities who are socially excluded emphasis is placed upon RAE population. According to a survey conducted in 2008, RAE population accounts for 9934 persons (about 1.6% of total population), of which 4,285 or 43.1% are displaced persons.

Problems of integration of RAE population in Montenegro are specific and various in its essence. Low standard of displaced families has a significant impact on educational outcomes of RAE children. At the time when the above survey was conducted, primary education was attended by 1,500 RAE pupils, representing about 2% of the total pupils population in the elementary education. In secondary education 37 RAE scholars who continued their education was recorded, while only 7 RAE students enrolled the faculty programs. Although, there are no continuous reliable data on the number of RAE pupils in regular education system, research conducted by the Ministry of Education and Science shows that the number of RAE scholars is growing continuously.

Existing legislation recognizes the possibility of education in Roma language within the mainstream educational system, but it is still not organized due to the small number of RAE pupils in primary education, and lack of teaching staff who knows the Roma language as well as adequate textbooks.

Ministry of Labour and Social Welfare, Ministry of Education and Science and Ministry of Human and Minority Rights, with joint efforts, are creating a legal framework for the inclusion of RAE population in the Montenegrin society. These Ministries have acted according to the Strategy for Improving the Position of RAE Population in Montenegro 2008-2012, in a way, that at the beginning of the school year 2009/2010, they provided, in order to implement affirmative action enrolment of RAE pupils in primary schools, free textbooks to all RAE pupils in Montenegro who expressed this need (1242 pupils). As for the scholars who attend secondary schools (37) and students (6), Ministries provided monthly scholarships in the amount of €70 for pupils and €150 for students.

Despite the array of implemented projects and significant accomplishments in the education of RAE population in Montenegro, inclusion and quality of education and achievement of RAE children in Montenegro are not at the required level. ISSP made this conclusion based on the objective observation of the overall educational system in Montenegro. However, the Strategy for Improving the Position of RAE Population in Montenegro 2008-2012, shows positive results, so it still remains to be seen how it will develop the inclusion of RAE population in Montenegro in the future.
8.2.7 Employment of ethnical minorities

When it comes to the employment of minorities in this project special emphasis are placed on the RAE population.

Quite relevant and reliable data on the actual status and living conditions of RAE population in Montenegro exists, although Montenegro does not possess a unique document of this nature. These data are significantly un-systematized, contained in various documents as a result of separate investigations and observations, sometimes outdated and contradicting each other. These data represent more than a solid foundation for the Strategy for Improving the Position of RAE Population in Montenegro 2008-2012.

The data are contained primarily in the Action Decade Plan of RAE Inclusion 2005-2015 in Montenegro, Strategy of development and poverty reduction, Household Survey of RAE population, Refugees and Internally Displaced Persons – conducted by ISSP, Database of the Commissariat for Displaced Persons of Montenegro (Office for Refugees), documents of the OEBS and UNICEF missions in Montenegro related to the problems of the RAE population, reports, surveys and findings of individuals, various non-governmental organizations, especially the RAE, who are related to this issue.

Most members of the RAE population live in the conditions of extreme poverty and very low standards, do not have identification papers and have no health insurance and social security.

Most of them are unemployed, and those employed are performing the least skilled and paid jobs, or provide minimum wages by performing self-taught skills and trades, which puts them in a highly unenviable and uncompetitive position in the labor market.

8.2.8 Education of persons with special needs

People with special needs are extremely vulnerable group, even at the their birth. In this sense, their development must be followed and backed from the earliest days. In this regard, it is very important to have a quality education system which will, in a proper manner, focused them on a labor market.

In accordance with current legislation in Montenegro, the education of children with special needs is organized in several ways: by providing them additional requirements and aids and by appropriation and execution of additional technical assistance.

By the Law on education of children with special needs, all educational institutions are required to enroll children with special educational needs. In the academic 2009/10 all, 162 primary schools, all secondary schools, institutes (4 special

---

99 The Official Gazette of the Republic of Montenegro, no. 80/04
institutions: „Center 1st June“ - Podgorica, PI "Institute for Education and Rehabilitation of Persons with hearing and speech impairments" - Kotor, PI „Department Komanski most“ and „Department for Education and Vocational Rehabilitation of Disabled Children and Youth in Podgorica), have engaged in inclusive education. 522 children with disabilities and special needs were included in the educational process in total. Of these, 317 children were involved in inclusive education in mainstream schools and 205 children in special institutions and special classes in regular schools where they implemented a special program.

These children are fully involved in the education system, however, a very small percentage decides and is ultimately able to walk freely in the labour market.

8.2.9 Employment of persons with special needs

Employment of persons with special needs falls into the category of hardly employable persons. The Law on Vocational Rehabilitation and Employment of Disabled Persons\textsuperscript{100} was adopted in the July 2008. The aim of this law is to create conditions for successful vocational rehabilitation, employment of persons with disabilities and therefore equal participation in the labour market, with the removal of barriers and creating equal opportunities.

At the records of the Employment Agency, 40% are registered as hardly employable persons of a total number of unemployed, including the persons with disabilities (2477). By the implementation of the program of preparation for employment, particularly public works, the Government is trying to include as many hardly employable persons as possible.

Getting the better integration of this vulnerable group of people is in progress. For this purpose is constructing the Centre for job integration of hardly employable persons, Podgorica.

Employment of this group is at a very precarious level, as evidenced by the real data. In this regard, in the near future must be done „something“ in order to have greater inclusion of people with special needs in social life, and therefore at the labour market.

9. SOCIAL DIALOGUE

9.1 Legislative framework

Over the recent years, in Montenegro the series of legislative and regulatory activities have taken place and have so far contributed to the development of labour relations. Namely, social dialogue in Montenegro is Constitutional category, which is

\textsuperscript{100} This category includes people with special needs.
Assessment of the labour market in Montenegro

more closely defined by special Laws regulating bipartite social dialogue between employees and employers and their representatives. These Laws enhanced and significantly improved social dialogue and solved important issues with the equal participation of social partners. The most important are as follows:

- The Labour Law (“Official Gazette of the RoM”, No. 49/08);
- The Law on Strikes101;
- The Law on Social Council (“Official Gazette of the RoM”, no 16/07)102;
- The Law of Representativeness of Trade Unions.

The Labour Law guarantees freedom of association for every employee and sets the principles for the representation of the associations of employers and trade unions in the collective bargaining process and social dialogue. These associations have the right to choose one person which will represent all employees in front of employer. This Law prescribes the rules on establishing employers’ and workers’ organisations and on collective bargaining between workers and employers in both the private and public sectors, including public institutions such as social security, education and cultural organisations. It specifies the parties to collective bargaining, the levels at which agreements may be concluded and the status and applicability of collective agreements. According to it, collective agreements may be concluded at national, inter-occupational, branch and enterprise levels.

The Law on Strikes protects exercise of the fundamental right to strike and stipulates the conditions under which it can be exercised lawfully.

The tripartite social dialogue is in Montenegro is perceived to be regulated properly with the adoption of the Law on Social Council.

With the adoption of the Law of Representativeness of Trade Unions in April 2010, Montenegro created conditions for pluralism of trade union organizations and their inclusiveness in the process of social dialogue. All relevant social partners took place

101 The Law has been aligned with the international standards and obligations which have been taken over by ratification of the OUN International Pact on economic, social and cultural rights; International Labour Organization Convention no 87 on trade union freedoms and trade union protect rights protection; International Labour Organization Convention no 98 on worker right to organize and collective bargaining. The Decisions on limiting the right to strike have been based on the European Social Charter from 1989, as practically the only European Union Acts which regulate the strike field. The Acquis regulations with which the Laws have been partially aligned are the following: Commission Decision 31998D0500 on Sector Dialogues Committee which would promote the dialogue between the social partners on the European level, Council Decision 32003D0174 on holding Tripartite Social Summit for Growth and Employment, Council Resolution 32003G0218(01) on Social inclusion – through the social dialogue and partnership.

102 This Law has been aligned with the following: CO 144 on Tripartite Consultations (International Labour Standards from 1976); Recommendation No 152 on Tripartite Consultations (ILO activities from 1976); Recommendation No 133 on negotiations (at the level of economy and the national level from 1960); CO 98 on Right to Organize and Collective bargaining; CO 87 on trade union freedoms and trade union rights protection from 1948.
Assessment of the labour market in Montenegro

in the process of preparation of this Law (Confederation of Trade Unions, Union of Free Trade Unions of Montenegro, Union of Employers and Government). Additionally, experiences of EU and recommendations of ILO were consulted. In this way, Montenegro completed set of labour regulation.

Namely, at the end of 2008, the issue of trade union pluralism became actual at the national level and this situation pointed out to the necessity of adoption of such a Law. At the end of 2009 this Law passed Government procedure and entered Parliamentary one, but it was withdrawn due to the common opinion that it has to be supplemented according to the regional and EU experiences, especially when it comes to the advancement of the issue such as pluralism and % relations at the national level.

The main goal of this Law is protection of all rights Trade Unions are eligible to. According to it, the Trade Unions are as follows:

- Trade Union organized at the employer;
- Trade Union organized in the branch of activity, group or sub-group of activity;
- Trade Union at the national level.

The general and particular conditions are relevant when determining representativeness of Trade Union. The general conditions are the following: (i) to be registered in the Register of the Trade Union Representativeness, (ii) to be independent from the state bodies, employers and political parties, (iii) to be financed mainly from the fees and other own resources.

The particular condition for determination of representativeness of Trade Union at the employer is that Trade Union gathers at least 20% of employees out of the total number of employees. Trade Union organized in the branch of activity, group or sub-group of activity, is representative if, beside the general conditions, has at least 15% of employees out of the total number of employees in the branch of activity, group or sub-group of activity. Trade Union at the level of Montenegro is representative if:

- fulfils general conditions;
- gathers at least 5 trade unions at the level of branch of activity, group or sub-group of activity;
- has at least 10% of employees out of the total number of employees\textsuperscript{103}.

\textsuperscript{103} Association of Trade Unions advocated quote of 15% instead of 10%. Their argument was that 10% quote creates basis for formation of many Trade Unions.
In this way, there can be a few Trade Unions as representative in Montenegro as long as they fulfil all conditions required. In addition to that, representativeness can always be tested at the request of employer.

9.2 Social partners

The main mission of the social partners in Montenegro is proper conciliation and mediation in labour disputes in order to assist employees and employers to settle all unresolved issues in a friendly manner. Additionally, social partners are advocating improvement of the legal framework all with the view to create preconditions for better functioning of the tripartite social dialogue.

The main features of bargaining system in Montenegro are close to those observed in most EU member countries. Trade Unions have the monopoly to run negotiations similarly as in most of European countries. The results of negotiations are extended to all workers employed by the negotiating company or branch. Although the collective bargaining system in Montenegro is multi-tiered, the importance of the General Collective Agreement, hereinafter called GCA, negotiated on the central level and the de facto monopoly of the Union makes it very centralized. Actual relations are organized within sectors, branches and individual companies through negotiations between social partners (associations of syndicates and employers).

9.2.1 Trade Union

The Labour Law regulates the basic principles of Trade Unions organization in Montenegro. In Montenegro there is one main Trade Union, which is organised as a centralised alliance of 21 industry-specific trade unions. The official name is the Confederation of Trade Unions of Montenegro. The Trade Union represents workers in both private and public sectors, including public administration. It is a member of the International Trade Union Confederation (ITUC) and has observer status with the European Trade Union Confederation (ETUC). Workers in every company (organization) can establish its own union association. There are 1000-registered union associations in the central trade union. The unionisation rate is about 90% coverage of the labour force in Montenegro. However, due to the difficult economic situation only a third of its members pay membership fees. Trade Union has five regional legal offices, which help to resolve disputes between company management and workers. The Union has opened a training centre in Kotor, where it primarily provides courses in management. The services that the Trade Union provides to its members include legal assistance, education and training, and social services for families of vulnerable workers. The Union is actively engaged in both bipartite and tripartite social dialogue.

The Trade Union plays an important role on Montenegrin labour market. The role of union is especially strong in the bargaining process with the Government and the representatives of employers (the Union of Employers). It has been a party to all the
Assessment of the labour market in Montenegro

collective agreements concluded at national and branch levels and most of those signed at enterprise level. Apart from participating in GCA negotiations the trade unions are also entitled to undertake the initiatives to protect workers of individual factories and/or branches if they feel their rights are violated by employers. In that case union can involve into the process of a collective dispute with an employer and if it does not help they also have the right to go on strike. Unfortunately actions of Trade Unions in Montenegro are in many cases driven by politics instead of protecting the employees’ rights.

Although the membership is voluntary, until the new General Collective Agreement (GCA) was signed in the 2003, every employee had to pay a compulsory contribution of 0.2% of its gross wage to the trade union. So, regardless to being member of the union or not every employee had to pay this contribution and employer was obliged to withhold and pay this amount. These funds were used for operation of the union and recreation of workers. Currently only Union Members pay their contribution. These are not all commitments that are compulsory. The employer is also obliged to provide conditions for union operations free of charge (office, office equipment and supplies), to provide union activists with amount of paid hours they need for their union activities. Also, if company has over 1000 employees an employer has to employ one additional person to run union activities and to pay this person a full salary.

Union membership in Montenegro is practically limited to the former public-owned companies as well as to the public sector services. Employees in the new private companies being mainly Small and Medium Companies (SME) usually are not members of the union. Hence one may expect that as the process of privatization and economic restructuring goes on resulting in increasing share of those employed in SMEs and in market services the number of union members will decrease. So will probably the real power of Unions as representation of employees. Weakening of statutory power of the Union seems therefore to be the natural consequence of the process of economic restructuring resulting in increasing share of workers in non-unionized sectors.

9.2.2 Organisations of employers

In Montenegro there are three following organizations of employers, one state and to private: The Chamber of Commerce (state organization), the Union of Employers of Montenegro and the Montenegro Business Alliance (MBA). In Montenegro, an organisation can represent employers in the social dialogue if and only if it has within its membership 25% of all employed workers in the country, producing 25% of GDP. On the other hand, membership in the Chamber of Commerce is compulsory for all employers.

Institutional framework of the social dialogue has been established by the Labour Law which lays down that the legal official negotiator and counterpart with the Trade Union in labour issues and collective agreement negotiations is Union of
Assessment of the labour market in Montenegro

Employers of Montenegro instead of the Chamber of Commerce. This means that the Union of Employers of Montenegro is the legal official social partner on the employers’ side in the social dialogue in Montenegro. The Union of Employers of Montenegro (UEM) was founded back in 2002. The UEM has a membership made up of individual companies (both private and public) and associations of employers. Its members account for more than 80% of the country’s GDP and employ over 65% of the total employees in Montenegro. This organization of employers has strong connections and relations with the ILO. The UEM is a member of the International Organization of Employers (IOE) and of the Forum of Employers’ Associations of South Eastern Europe. Over the past few years, the UEM has been active, together with Trade Union, in the promotion of social dialogue and respect for freedom of association, both at national and local level.

Finally, Montenegro Business Alliance (MBA) was founded in September 2001 with American support. This Alliance gathers around 400 companies as members, including some foreign investors and it has a network of six regional offices and about 10 business associations. MBA has been significant player in the overall process of economic reforms in Montenegro, especially in the field of elimination of business barriers, creation of business friendly environment, reduction of the scope of grey economy, etc. It has been also active in the collective bargaining process. MBA had a voice in the overall tax burden reduction over the last couple of years and introduction of the more liberal and flexible labour market legislation.

Both private associations of employers play an important role in creation of appropriate business conditions and the development of the legal framework.

9.2.3 Social Council

The Montenegrin Constitution stipulates that the employees’ social position is harmonized in the Social Council. By establishing Social Council, Montenegro institutionalised social dialogue at the national level. In that way, Social Council is recognized as a form of institutional framework in which social dialogue among employees, employers and Government, is conducted.

The Social Council was established as tripartite body by the Decision on Education of Economic and Social Council adopted on 1 February 2001, and by the Decision on the Amendment of the Decision on Education of Economic and Social Council from December 2006, which was passed by the Government of the Republic of

---

104 In Montenegro, as in many other countries of former Yugoslavia, it was the Chamber of Commerce which represented employers both in bipartite and tripartite social dialogue in the 1990-2004 period. In December 2004 a new provision was introduced into the Labour Law forbidding organisations based on compulsory membership from taking part in collective bargaining. As a result, the Chamber of Commerce was replaced by the UEM in social dialogue.

105 Actually, this Decision is a tripartite agreement with the Trade Union and Union of Employers stating that, by the end of the year, the Social Council will have to work on the amendment of the Labour Law and the Laws on Collective Bargaining and Peaceful Resolution of Labour Disputes, as
Montenegro, as an instrument of functioning and enhancing social dialogue. These Decisions assigned an advisory role to the Social Council in matters of economic and social policy.

The mission and goal of Social Council are establishment and development of social dialogue on issues that are important for realization of economic and social status of employees and employers. Social Council aims to contribute to the creation of the basic preconditions for an efficient social dialogue in Montenegro, on both the national and local level, to the improvement of democracy, to the fight against grey economy, to the competitiveness of economy and to its sustainable development, to the creation of a stable macroeconomic climate, to the enhancement of the consensus of the social partners on the fundamental economic and social policy, to the long term goals and transfer to a full social and economic development and EU integration.

The Social Council consists of the trade union, employers and the Government representatives. The Council has 33 members, out of which 11 are Government representatives, 11 are employers representatives and remaining 11 are Trade Union representatives. They operate through the work of 7 sections: Production, Research and Development Section; Labour and Social Issues Section; Society Transition Section; Agriculture, Food Industry and Forestry Section; Economy and Finances Section; Environment Section; Foreign Relations Section. SEC is financed by the national budget. SECs have also been set up in 12 municipalities. The model of Montenegrin Social Council is based on European concept, according to which economic policy, employment policy and social policy are in the interaction.

Since its establishment in 2002, it has not played a huge role in the design of economic and social policy. However, bearing in mind the fact that Social Council is a new body in Montenegro, it is unrealistic to expect fulfilment of entire set of goals in such a short period of time. Hence, in the coming period it is necessary to increase the active role of SEC in current employment issues in Montenegro, especially in the field of design of employment policies. The Council may finance independent studies, but its funds are very limited. On the positive side, many stakeholders during expert interviews highlighted the fact that Council is giving huge efforts and in a manner of partnership strives to advance such interactive cooperation among all stakeholders. Additionally, in this context, it should be mentioned that in the times of global crisis, there are many challenges ahead and that there is spare room for the further advancement of the social dialogue in Montenegro.

well as the law on the Council itself. The Decision also prescribed a progressive increase of the minimum wage to €55 by the end of 2007, the revision of some non-monetary elements of remuneration and the decrease of the tax wedge – including a reduction of the tax on salary devolved to local authorities – to around 50% of the net salary. Finally, it committed the Government to provide the means for the Social Council functioning.

106 There is no section dealing exclusively with employment issues.
9.3 Bipartite and tripartite social dialogue

Within the labour legislation reform, Montenegro has the strengthened the social dialogue and tripartism as the instruments of democracy, participation and right to work, as well as the positive experience of the European Economic and Social Committee. Regardless to union membership, the GCA and the national level negotiations cover all workers in the economy, which is the same for the branch level and company level. Negotiated provisions also cover the non-members of union. These agreements mainly deal with wages, leave periods, rights and obligations of workers and employers and conditions of work, including working-time arrangements. Currently, 15 sectoral agreements are in force. At enterprise level collective bargaining takes place mainly in large companies.

Trade unions are powerful in Montenegro. One of the means for mitigating the resistance of trade unions to the restructuring process and engaging in a constructive social dialogue is the recent establishment of the Labour Fund as well as continuation of the investment in education and training. All these measures are contained within the National Action Plan for employment.

One of the main conclusions derived from the experts interviews conducted on the issue of the social dialogue is that further European integration processes will significantly contribute to the strengthening of social dialogue in Montenegro. Ministry of Labour and Social Welfare highlights already well established continuous assistance of ILO in the field of social dialogue and the fact that Montenegro is among the best countries in the region when it comes to the implementation of the ILO standards. The result of such an effort is quality of the social dialogue developed in Montenegro.

It should be mentioned that, common opinion of many persons interviewed for the purpose of this Study, is that institutional aspect of the model of social dialogue in Montenegro is improved with the establishment of the Labour Fund and Agency for Peaceful Resolution of the Labour Disputes, since both of them are very much important in regulation of the rights of employees.

10. INTERNATIONAL AND MAIN BILATERAL DONORS’ INTERVENTIONS

EU support for human resource development in Montenegro has totalled approx. €7.3m and concentrated on school-based VET reform (curriculum modernisation, teacher training and training infrastructure in selected sectors €1.5m), support to labour market reform (€1.2m) with commitments to support the development of an NQF (€1.5m). Tempus support (€3.1m) has addressed quality assurance in the university system.

*EU funded projects related to employment*
Assessment of the labour market in Montenegro

The 2006 CARDS programme (€1.2m) aimed to align policy and governance of the labour and public employment administration service with the wider socio-economic policy framework. Key outcomes of the programme include an employment and HRD strategy and action plan followed up by IPA 2008 with a focus on institution building in the labour ministry and employment agency with reference to EU policy intelligence.

**EU funded projects related to education and training**

First project from CARDS programme in Montenegro was "Technical assistance to the Ministry of Education and Science" from 1998-99. We asked the Ministry of Education several times for information about this project, but we didn’t get any information about this project, because in their archives there are no data about it. Therefore we aren't able to assess the outcomes of this project.

Programme "Vocational education and training in Montenegro", was implemented in 2001 and was worth €0.8 million. Programme was conducted through the project "Technical Support Vocational Education and Training in Montenegro". Financial support was provided for the establishment and equipping of: Centre for Training in Tourism in secondary school "Ivan Goran Kovacic" Herceg Novi and Centre for Training in Wood processing industry, secondary school "Vukadin Vukadinovic” Berane. The result of this project were the following documents: Analysis of the needs for education and professional development – Practicum, Methodological basis for the development of occupational standards, Development of educational programs in vocational education, Proposal for Development of examination system and student evaluation, Organizational manual for work of the committees for areas of work and development of curricula in vocational education, Framework for system of certificates in Montenegro, Proposal of methodology for the preparation and implementation of training programs for adults, and Proposal baseline for the adjustment of the educational programs of adult education in the field of vocational education.

The CARDS 2004 VET programme determining options for the development of vocational qualifications and resulted in legislation passed by Parliament in 2008 (Law on National Vocational Qualifications). IPA 2007 funds have been committed to follow through on this initial work. The project is expected to result in an agreed vision and framework for the national qualifications system to conform to the 8-level principle of the EQF. Assuming a concerted drive to establish an NQF, a functioning system could be in place by 2015.

The main object of the CARDS 2004 VET programme-Phase 2 was support to the Government of Montenegro in the implementation of flexible and integrated VET (vocational education and training) system for young people and adults, capable to meet needs of labour market. This project, in addition to main object, had appointed
Assessment of the labour market in Montenegro

three specific objectives. They are: strengthening the activities of the Centre for Vocational education, strengthening and development of three newly opened Training centres and strengthening of social partnership. On the whole project was spent €682,000. This money was used to cover expense of: international and local experts, seminars, round tables, software used on the project, work of the project office. Key outcomes of the programme include documents such as National Vocational Qualifications (NVQ) for Montenegro, Training Needs Assessment - Wood processing, tourism and construction, Methods in Adult Education, Methodology for the modularisation of educational programs, Methodology for determining prices of students, Model for quality assurance, Manual - Project Management, Program for adult education and training, The strategy of work and development of Centre for training.

When we talk about project “Construction & rehabilitation of school buildings” in 2000, financed through CARDS programme, in Montenegro has been used €3 million for reconstruction of one old school and one new schools construction. Results of this project are much better conditions for education and training of students, which implicates a better ability for work and better chances for employment of students.

**EU support for higher education**

Montenegro has actively participated in the EU’s Tempus programme since 2001 with particular emphasis given to development of the ECTS, quality assurance, and university management. This effort (supported by €3.1m) has ensured that Montenegro participates fully in the Bologna Process and is actively committed to the EU’s 2010 objective of establishing a European Higher Education Area.

**Other donor activities and projects**

USAID, with the ILO, has provided technical assistance to the Ministry of Labour to developing employment legislation to introduce more labour market flexibility. With USAID help, adopted Labour Law of Montenegro established labour rights and obligations of employees and means of their implementation. Also Gender Equality Office was established in March 2003 as a part of General Secretariat of the Government of Montenegro. It has the authority to formulate the government policy concerning equal gender status, performs policy analysis, coordinates and monitors the implementation of gender policy.

- World Bank credit line from 2005 ($5m) supports the education authorities in development of teaching and learning in schools and in the efficient use of budgetary resources. This donor activity wasn’t significantly affected the labour market because it was designed for elementary and secondary schools, through the Ministry of Education.
- LUX Development project MNE/011 supports the Ministry of Education and Science of Montenegro and the Centre for Vocational Education with appropriate measures for the improvement of the VET system by building institutional capacities
Assessment of the labour market in Montenegro

to develop and implement new Human Resource Development strategies and by supporting the development and implementation of a specific regional strategy in North-East Montenegro with the social partners and regional VET providers in nature based tourism, agro-tourism and organic agriculture. The project supports the Centre for Vocational Education in developing a regional VET strategy which will identify the occupational profiles required by the changing labor market - more specifically in relation to the tourism and agriculture sectors - and to assist in the development of appropriate training standards, curricula and training materials. At the regional level the project will assist municipalities in the northeastern part of the country in developing a coherent regional strategy for human resource development which will complement existing strategies for agriculture and tourism. The project will assist participating schools in developing action plans as well as through the refurbishment of buildings, the provision of training equipment and training. Entrepreneurship will be included in the VET curricula and extended to small farm businesses to generate income and jobs in North-East Montenegro. A financial support is also envisaged to assist small farmers in developing micro-projects. General aim of the Project – to contribute to the elimination of long-term poverty in the north-east of Montenegro. The project will last four years, from July 2009 to July 2013, and its budget is €4.28 million - of which the Grand Duchy of Luxembourg provides €4.1 million, while €180.000 is a contribution of Montenegro. Since, this project is still on the beginning outcomes are expected in forthcoming period.

• Austrian Development Cooperation supports capacity building and reform of higher education (through WUS Austria). The "Support to Reforms of Higher Education" programs, financed by the Austrian Development Cooperation, aim at reforming the Higher Education Systems in Bosnia and Herzegovina, Montenegro, Kosovo and Serbia with the help of various measures (sub components). These sub components are in some cases the same for all 4 different countries, in other cases they are tailor made for the specific Higher Education Systems of each individual country. Sub components that form the "Support to Reforms of Higher Education" program in Montenegro are: “Brain Gain Program +”, “Development of Labour Market Relevant Master, PhD and Chair Programs”, “Creating R&D Capacities and Instruments for boosting Higher Education - Economy Cooperation’s”. Therefore, the main goals are enhancing the employability of graduates, supporting mutual cooperation between South Eastern European (SEE) universities and the labour market and further development and modernisation of SEE Higher Education (HE) in order to facilitate the transition of HE in SEE towards European Standards (Bologna Process) and international competitiveness. All projects are still in progress, so we don’t have accurate information about results of these projects. However, ISSP assessment is that these projects will have positive impact, mainly through exchange of knowledge, improved Master and PhD programs, as well as improved knowledge, skills and experience of students.

• German, Austrian and UK authorities support a number of small, institution-building projects to enable workforce development in the tourism and construction
Assessment of the labour market in Montenegro

sectors, including the development of occupational standards and training programmes for trainers.

- German Society for Technical Cooperation, GIZ, with financial support from the Ministry for Economic Cooperation and Development of FR Germany, began in September 2006 the implementation of the project "Reform of the vocational education system as a contribution to employment promotion in Montenegro" (GTZ-VET) through a partnership with the Ministry of Education and Science (MES) and the Centre for Vocational Education (CVE). The aim is to improve the employability of graduates of vocational schools, and program participants for the training of adults. GIZ contributes to the reform of vocational education in Montenegro in four areas: electrical engineering, mechanical engineering and metal processing, tourism and hospitality, architecture, geodesy and construction, in which together with the CVE participates in the development of strategic documents, standards of occupation, new education programs, furnishing classrooms and workshop with modern didactic and technical equipment, the introduction of elements of the European model for improving the quality of school management and building partnerships with educational institutions from Germany and the region. Continual training of teachers is one of the priority activities of GTZ within which teachers are trained to use modern methods of teaching which is oriented towards activities and for the advancement of knowledge in the occupation field. GIZ in nine elementary schools started the project of vocational guidance in order to enable young people to properly inform and recognize their skills in decision making process about the choice of profession and in accordance with that organized training for trainers, teachers, representatives of the pedagogical and psychological services and Administration of schools. In the project, which is planned to last until 2011, GIZ contributes to development of the capacity of CVE and training of personnel.

- KulturKontakt Austria presents itself as a European centre for education, culture and art with a geographic focus on Austria and the countries of Eastern and South Eastern Europe. One of the key areas of this organization is the collaboration in the field of education, where KulturKontakt support partner countries to reform the education system and exchange experiences. In Montenegro, KulturKontakt very successfully operating since 2005 and has been developed as a well known partner in the field of education. It established a good relationship with the authorities in Montenegrin educational sector, as well as with many other international organizations. Work KulturKontakt focuses on two long-term projects ECO NET and TOUR REG funded by ADA (Austrian Development Agency) and the large number of smaller projects, for example in the field of civic education and special educational needs. These two major projects aren't implemented only in Montenegro, but also in other countries, and both are in the final phase which will last until 2012. ECO NET aims to support entrepreneurship education directed towards practice with a model company for the exercise. This is an innovative approach, which promotes entrepreneurial thinking, the ability for teamwork, and autonomy, initiative, competence for decision making, flexibility and cross-cultural sensitivity. TOUR REG supports the development of training oriented to perspective tourism. It covers a
Assessment of the labour market in Montenegro

Support for cooperation between schools and business sectors, as well as forming networks. The accent is on strengthening the process, such as practical work for students and autonomous adoption of new methods by hiring Montenegrin experts.

- British Council supports economic development and social reform in Montenegro on its way towards European integration through the exchange of ideas, expertise, skill enhancement and linking people and institutions in Montenegro, the UK and the region. Project of support to vocational education "Skills for Employability" started in 2007 as part of a regional project, and includes two main themes: quality assurance through internal evaluation and improvement of cooperation between vocational education and employers. The central activity of subproject quality assurance is work on a new model of internal evaluation of schools that should be a coherent and comprehensive system of evaluation based on objective, measurable and standardized quality indicators. Sub-project "Improvement of cooperation between schools and employers" includes a series of activities in which two sides work together to reduce barriers for cooperation and creating new opportunities, through joint training, workshops, work on documents, study visits, discussions and competitions. In addition to these topics, the British Council in 2009 conducted extensive research in the tourism sector in the area of skill needs and the causes of disparity between supply and demand (the survey was conducted in partnership with the Department of Employment and SNV) and then developed a manual for teachers "Customer Care", and organized training for teachers and representatives of employers in the catering sector. British Council successfully cooperating with related organizations and has implemented a series of partnerships on a project with KulturKontakt, SNV, Employment agency of Montenegro, Lux Development, ETF and the Centre for Vocational Education, as a key partner.

- Government of Finland, OECD, UNICEF, Save the Children and Montenegrin MES support a project on inclusive education for children with special needs. In cooperation with the OECD Ministry of Education and Sports participated in the project "Education of children with special needs in South East Europe". Within this project "Statistics and data collection on children with disabilities and at risk in Montenegro" was done, "Report on the field of education for children with special educational needs and children at risk in Montenegro" was prepared, model of selected schools whose representatives participated in trainings organized by the OECD, which were later transferred through school seminars on other staff. The experiences of this project were implemented through the Strategy for Inclusive Education and the Law on Amendments to the Law on Education of children with special needs.

- In partnership with Save the Children UK, 1719 teachers and professional staff in kindergartens and primary schools passed through training for inclusive education. Training for work with children with autism was organized in cooperation with Save the Children UK. Also software for work with children with autism was provided for the Centre for Education and Training "1 June", and psychologist from
Assessment of the labour market in Montenegro

this institution passed through specialized training for working with children with autism at the University of Edinburgh.

- The Government of Finland has supported the development of inclusive education in Montenegro through the project "Towards Inclusive Education". Within this project, which was implemented in a period 2006-2008, 40 directors and deputy directors of primary schools, 38 advisors from the Department of Education, 39 teachers and other professionals from elementary schools in Montenegro were trained, while 27 technical assistants and teachers attended postgraduate studies in the field of inclusive education at the Teaching Faculty in Niksic. The result of this project was, in March 2008, adopted strategy of inclusive education, which refers to the entire process of education of children and youth with special educational needs and disabilities.

- Ministry of Education with the support of UNICEF in Montenegro in previous period implemented education of commission members to guide children with special needs into the educational system. Within the Project "Education for the Commission to direct children with special needs into the educational system" Manual for the Commission for guidance was printed, and trainings for implementation of instruments from Manual were conducted. As a result of recommendations from this project, new project arose: "Education for authorities from Professional support network for children and youth with special educational needs (systematic approach for work with children with special educational needs)".

- Smaller donor-supported projects address employment and social inclusion of RAE, people with special needs and localised training and employment development.

11. CONCLUSIONS

During the recent period GoM and relevant institutions have made significant efforts in order to better response to the complex labour market issues. These efforts relate to the legislative improvement in different interconnected areas (education, labour market, business regulation, taxation, social welfare, etc.), adoption of different strategies and action plans, conduction of numerous programs, activities and measures referring to the employment, strengthening institutional capacities, etc. If we observe overall situation and labour market trends during the previous years, many of these efforts gave positive results. However, some measures have failed to provide expected results.

The new labour legislation put into the place terms and conditions for the much better flexibility and security as compared with the previous regulations. Now, the labour legislation is more business friendly, enables employers with higher flexibility when dismissing workers, but from the other side it prescribes adequate protection of employees, which is guaranteed through numerous rights. Still, the conclusion is that many employers, as well as, employees are poorly informed about the new legislation and about the rights that are prescribed by this legislation. Therefore, a lot has to be done in the field of informing them about their rights and obligations,
Assessment of the labour market in Montenegro

because without well informed labour market participants, there is no efficient practical application of legislation.

Regarding human resources development in Montenegro, similarly as in other regional countries, many strategic documents and laws aligned with European standards were passed in the area of vocational education and training, adult education, continual work-related education and training, etc. This is very important since adoption of different Laws and strategies enabled conditions for acquiring national vocational qualifications, better connection between education and training system and labour market needs, inclusion in the system of education and training, recognition of the previously acquired knowledge, skills and competencies, and so on. Also, specialized vocational education and training programs in all main fields are available to the students. However, further strengthening of relevant institutions and their capacities is needed, as well as, further inclusion of adults in the process of life-long learning. Although educational system had experienced significant improvements over the recent period, specific Strategy for life-long learning still does not exists, and opinion is that without such a Strategy the way towards "learning society” is much slower, since Montenegro is faced with a fact that a lot of knowledge does not fit into the complex requirements of the labour market. Also, decentralization of education financing and transfer of a part of the financial responsibilities to the municipality’s level is needed since there is belief that this would make the entire process of human resources development more efficient, and enable more active involvement of local Governments. These improvements would contribute to consistent development of system which would have professional human resources with adequate knowledge, skills and competences, qualified to take part in the labour market, where each individual has equal opportunities for personal and professional development.

More efficient legal framework is established in order to execute activities related to the issue of employment. National Strategy for Employment and Human Resources Development 2007-2011 defines a lot of measures which are related to active labour market policies. According to the ISSP assessment, there is also a wide range of services offered by EAM which are addressed to unemployed and entrepreneurs with the goal to increase the employment. Although, since the beginning of the implementation of active labour market policies in Montenegro, the number of employees is constantly increasing, and the statistics support the claim that implementation of these policies brings positive results, their overall impact, effectiveness and efficiency is not completely known, since there is no adequate estimation and monitoring system. Since persons hard to employ have priority in implementation of certain measures of active labour market policies implemented by EAM, numerous active labour market policies related to these people are designed and implemented during the previous years. However, ISSP assessed that these measures didn’t show expected results, since they didn’t attracted and activated enough targeted groups, due to insufficient budget and the lack of institutional capacities. The conclusion is that there is a need for more efficient and better
Assessment of the labour market in Montenegro

designed active labour market policies related to the groups most affected by unemployment, such as persons with disabilities, women and elderly persons whose share in long-term unemployment is still high. Projects and programs for self employment of women and persons with disabilities should be adjusted to their capabilities and limitations, and these programs require more financial sources and active involvement of local governments. More campaigns to present the rights of employers who employ persons with disabilities are needed in order to raise awareness of work capacities of people with disabilities. Under these conditions, the inclusion of these persons at the labour market and their successful integration at workplace could be more successful. There should exist specific goals for retention of older workers and possibility to evaluate the effects of numerous measures related to youth. All active labour market measures should be designed and monitored in a way that enables avoiding of the “dead-weight loss”, “substitution effect” and “displacement effect”. All strengths and opportunities should be used for a creation of better conditions for independent living and work of the vulnerable groups, while weaknesses of the active policies should be resolved and threats avoided in order to make the system completely functional and efficient in removing existing gaps on Montenegrin labour market. Also, according to the ISSP estimation, there is a need to work on the networking of all active and passive policies.

The social security system in Montenegro has been consolidated during previous years. Several laws are adopted in order to better regulate pension and disability insurance, health protection and social and child protection of persons living in social exclusion. The social protection system in Montenegro provides a wide range of rights and financial benefits to citizens, including both contributory and non-contributory benefits. However, social protection spending in Montenegro makes up around 18% of the GDP, and the conclusion is that this amount could be higher since Montenegro falls into the category of countries with mid-level of social protection expenditures. Also, the criteria for social welfare benefits are quite rigid, especially in the case of family social assistance and leaves out many poor households. ISSP assessed that a change of design of the system is needed since the system needs improvements both in its coverage and in the monetary amounts of benefits, as well as in the authorization of their issuance and delivery.

Regarding the income policy, the system of wage determination is inherited from the past and the basis for wage determination on national level is General Collective Agreement from 2004. According to the ISSP opinion, the minimum wage influences most strongly those working in public sector because of The Law on Calculation of Salaries of Public Employees, while in private sector minimum wage influences mainly the effective tax burden on wages. Besides the minimum wage, the GCA also gives the set of very detailed rules that regulates the employment relationship (paid leave, hourly rate increase, meal allowance, etc.). The level of overall taxes and contributions is declining over the years with the main aim to make Montenegro more business friendly and remove the barriers due to which most of the employers in Montenegro were reporting minimal wage in order to pay minimal taxes and
Assessment of the labour market in Montenegro

contributions. However, the increase of social contributions in 2010 is approved in order to make social system more sustainable during the crisis. Although, this increase of social contributions may be incentive to not declare a work, ISSP estimated that significant number of employees will not leave their legal jobs, in short term (up to 5 years). This estimation is based on objective observations of the participants and by analysis of different trends in the labor market. Also, ISSP assessed as positive that favorable tax policy is continued by reducing PIT to the planned 9%.

Further development of policies related to the equal opportunities is needed in order to improve the employment possibilities of most vulnerable groups, particularly women and persons with disabilities. Significant improvement is achieved in adopting adequate legislative regarding gender issues, since the rise in female employment rate represents a significant factor for establishing equality among genders in employment. Despite the fact that the number of women in employment increased during previous years, more should be done in the shift of women in better paid sectors, since the share of women is higher in lower-paid sectors (services, pre-primary education, etc.). Further progress must be achieved in the area of promoting equal treatment of women and men in the workplace.

Beside gender issues, legislation regarding persons with disabilities has improved. The protection of these persons is regulated by numerous Laws and Strategies. In 2009 many municipalities initiated elaboration, or have completed local action plans for persons with disabilities. EAM has carried out a range of programs and activities regarding incentives for treatment of persons with disability, aiming at their higher inclusion at the labour market. These programs had limited success since only certain number of disabled persons found a job through those programs. ISSP estimated as positive current progress in education of disabled persons, since the Centre for Vocational Education has prepared several educational programs to train adult persons with disabilities for certain occupations, while the third Action Plan for Implementation of the Strategy for Integration of Persons with Disabilities in Montenegro is adopted in 2010. Still, ISSP assessment is that the total amount envisaged for the realization of all programs related to the education and employment of persons with disabilities should be set at the higher level. Although according to the Law on Professional Rehabilitation and Employment of Disabled Persons, every company has the obligation to employ persons with disability, and employers who want to employ person with disability have the special benefits, these measures didn’t show expected results, since the number of disabled persons seeking for a job is still high. This indicates that there is no appropriate mechanism for sanctions if company doesn’t employ disabled persons. Raising awareness within society about the need to increase employment of disabled persons and making them economically and socially active is needed. Also, further realization of goals and measures from the National Strategy for Employment and Human Resources Development 2007-2011 towards all vulnerable groups is needed in order to increase the share of the vulnerable groups at the labour market.
Also, legislative framework for the improvement of social dialogue in Montenegro is created through adoption of several laws that regulates main relations between employers and employees, with an aim to improve labour relations. The main mission of the social partners in Montenegro is proper conciliation and mediation in labour disputes in order to assist employees and employers to settle down all unresolved issues in a friendly manner. The conclusion is that significant improvement in the process of social dialogue is the establishment of Social Council which enabled the institutionalization of social dialogue at the national level.
CHAPTER III

Overview of the labour market institutions
1. INTRODUCTION

This part of the Study contains mostly descriptive analysis of the conditions within the institutional framework at Montenegrin labour market at present. It focuses on: the existing rules regulating functioning of each institution in concern, their mutual cooperation, possible overlapping of certain functions and responsibilities, etc.

Labour market institutions, including the Laws that regulate the labour market, are important for both economic growth as well as the well-being of the workforce. Over the recent period, along with the overall reform process, Montenegro has amended in some respect also the institutional set up of the labour market. This is mainly related to the upgrading of the existing functions delegated to the labour market institutions, establishment of the new ones fitting into the requirements of the current state and performance of the Montenegrin economy, etc. Also, the introduction of the new Laws, especially systematic new Labour Law, has definitely required alignment of the institutional framework with the emerging labour market needs.

Labour market institutions can be defined as the set of rules, regulations, enforcement laws, and organizational patterns governing the labour market. If these institutions are weak, overall outcome of the labour market will be having poor effect on the quality of life of every single citizen of Montenegro. Global financial crisis that has its deep effect on Montenegrin economy is shedding the new light on the employment as well as the measures and good practices implemented by employment services at national level to counter rising unemployment, secure job transitions and enhance people’s employability. It has also provided the opportunity to address the longer-term challenges to tackle the anticipation and matching of labour market needs with existing and new skills. That is why the role of the strong labour market institutions is vital in these challenging times in order to counter negative effects and erosion of the human capital which is recognized as the driving engine behind economic growth and prosperity in Montenegro.

The main research techniques used for preparation of Chapter III were: desk research, focus group, expert interviews and swot analysis. Desk research referred to the in depth analysis of the established institutional set up on the Montenegrin labour market. Focus group that was organized on this topic involved wide range of issues covering the capacity of the labour market institutions and their internal cooperation, as well as social dialogue, and which are in details presented in this Chapter. Focus groups gathered about 20 individuals representing crucial labour market institutions in Montenegro, such as MLSW, EAM, MBA, Centre for Vocational Education and Training Centre, private employment agencies, Association of Youth with Disabilities, Association of Paraplegics and others. Expert interviews were the most important research technique used in this part of the Study, since they
provided a lot of inputs regarding clear definition and explanation on the particular activities of each single institution on the labour market in Montenegro. Interviews with selected individuals were conducted with the main aim to identify current activities and future policy actions and also to gain info on perception of labour market perspectives in the light of prospect EU membership. In addition to that, expert interviews were necessary precondition for preparation of swot analysis on assessment of the administrative capacity of Montenegro to effectively implement employment policies, which was done for almost every labour market institution.

2. INSTITUTIONAL FRAMEWORK

There are two key institutions, which have central role in labour market in Montenegro: Ministry of Labour and Social Welfare and Employment Agency of Montenegro (EAM) with branch units. These institutions are in charge of the employment policy and achievement of the right to labour.

2.1 Ministry of Labour and Social Welfare (MLSW)

Ministry of Labour and Social Welfare (MLSW) is Government Ministry which regulates labour market and is in charge of the labour legislation policy. More precisely, the following issues are under jurisdiction of MLSW:

- Working relations
- Wages and other benefits
- Employment
- Education of adult people
- Employment of foreigners
- Work protection
- Suggestions, negotiations, conclusion and implementation of the agreements and other contracts within labour and employment field
- Implementation of the obligations and directives related to EU
- MLSW is the body competent for one part of the coordination of the social insurance system and it monitors responsible implementers in this field:
  - System of pension and disability insurance in cooperation with the Pension and Disability Insurance Fund;
  - System of unemployment insurance in cooperation with the Employment Agency of Montenegro;
  - Social protection of persons with disabilities policy (direct protection is provided by public institutions);
  - Protection of mother and child and the rights of a child policy;
  - Negotiation in bilateral agreements in social insurance, etc.
  - etc.

MLSW has the following departments:
• **Department for Employment and Labour Market**, which is among other things also responsible for coordination with the EAM. This department includes a unit for adult learning, which has been established with the view that decisions regarding human resources development start to reflect the conditions in the education sector.

• **Department for Labour Relations**, which is responsible for legal aspects in the labour market. Through this Department, MLSW deals with the following: monitoring and improving the systems for the labour legislation field, normative legal affairs in the labour field, following and applying the ratified EU conventions and directives from the labour field, giving expert opinions on Law implementation, realizing cooperation with the appropriate employers” associations and trade unions in drafting collective contracts and participating in social dialogue, the work in the misdemeanour procedure in first instance in the field of labour relations and employment, inspection monitoring, the second instance administrative procedure - acting upon the appeals against the work inspector’s formal decision and other affairs in line with the regulations.

• **Department for Pensions and Disabled Insurance**

This Department is in charge of monitoring the conditions and studying the phenomena of interest for determined policy implementation and for the functioning of pension and invalid insurance system, preparing suggestions for making Law drafts and proposals as well as regulations passed on the basis of Law in the field of pension and invalid insurance, giving expert opinion on implementation of the regulations, drafting analyses, reports, information, studies and programs, which make a bases for determining and implementing the policy of pension and invalid insurance, the direct monitoring of the Law implementation, as well as other regulations and general documents from this field, and especially of the work of the *Fund of Pension and Invalid Insurance*.

The implementation of the mandatory pension insurance based on the generation solidarity (pillar I) is in the domain of the *Pension and Invalid Insurance Fund*, which is, according to the valid legislation, relevant for settling the rights and duties from pension and invalid insurance. The Pension and Invalid Insurance Fund perform its function through the central service, nine district services and four local offices, with 248 employees in all.

The *Securities Exchange Commission* monitors the voluntary pension funds business, through the established Sector for investment and pension funds, which has four employees.

• **Department for Social Protection and Child Care**.

Social services in the field are delivered by the Centres for Social Work (CSW). According to the Decision on Establishment, The Official Gazette of the Republic of
Montenegro, no 11/06, CSWs provide the implementation of certain kinds of social and child protection and provide the social and child protection services. There are 10 public institutions—Centres for Social Work, established in Montenegro, and, with their services, they cover the territory of 21 municipalities. There is The Daily Centre for Children and Youth with Disabilities and Developmental Handicaps in Bijelo Polje. Decentralisation of social services is planned but postponed because of lack of financial sources at the municipal level.

The institutions which are providing direct protection for the users are the following:

- The public institution for placement of the children and youth without parental care—“Mladost” Bijela (Decision on Establishment, The Official Gazette of the Republic of Montenegro, no 11/06),
- The public institution for placement of elderly people—Public Institution Nursing Home “Grabovac” (Decision on Establishment, The Official Gazette of the Republic of Montenegro, no 11/06),
- The public institution for placement of people with special needs, moderate, more serious and serious mental retardation—Public Institution Special Bureau “Komanski most” (Decision on Establishment, The Official Gazette of the Republic of Montenegro, no 11/06),
- The public institution for placement of children with troubled behaviour—Public Institution Centre for Children and Youth “Ljubović” (Decision on Establishment, The Official Gazette of the Republic of Montenegro, no 11/06), and
- The public institution which deals with children vacation and recreation—Public Institution “Lovćen-Bećin” (Decision on Establishment, the Official Gazette of the Republic of Montenegro, no 11/06).

### Table 1: Financial plan of MLSW (million of Euros)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Labour and Social Welfare</td>
<td>35.643</td>
<td>60.238</td>
</tr>
</tbody>
</table>

Source: Amendments to the Law on Budget for 2009 and Law on Budget for 2010

#### 2.1.1 Labour Inspection

Labour inspectors and inspectors at protection at work from the Ministry of Labour and Social Welfare, exercise supervision over the implementation of Laws that regulate labour relations, employment, protection at work, collective bargaining, the right to strike, and these are the following: the Labour Law, the Law on Strike, the Law on Inspection Control, the Law on Inspection at Work (“Official Gazette of RoM”, no. 79/2004), the Law on Protection at Work and 43 by-laws governing this area.
Assessment of the labour market in Montenegro

The Law on Inspection Control ("Official Journal of RoM" No. 39/03) regulates principles of inspection control, procedure and manners of inspection control, obligations and authorities of inspectors, as well as other issues important for the performance of inspection control. In Montenegro the inspection control is performed in accordance with this Law, specific regulations and the Law on General Administrative Procedure. Inspection control is performed through direct insight at an institution by an inspector as a civil servant with specific authorities and responsibilities. There is Chief Labour Inspector and the following 8 regional units: Podgorica (Danilovgrad, Tuzi, Golubovci, Cetinje), Nikšić (Plužine, Šavnik), Berane (Rožaje, Plav, Andrijevica), Bijelo Polje (Kolašin, Mojkovac), Pljevlja (Žabljak), Budva (Tivat, Kotor), Bar (Ulcinj), Herceg Novi. Labour inspectors, are in charge of the basic provisions and regulations within the field of employment, prescribed by the Law on Inspection at Work. The task of these inspectors is to forbid execution of works when they determine that any kind of activities related to the conclusion of the Labour Contract, Contract with Foreigners, Contracts on health or pension and invalid insurance and Contract for payment of social contributions is not in accordance to the legal provisions.

The inspectors for labour and protection at work have passed (and are constantly passing) the training organized in the cooperation with the competent Ministry of the Republic of France and the Republic of Slovenia, the training in implementing OHSAS ISO 18000 standards which have been carried out by the Centre for Quality of the Mechanic Engineering Faculty in Podgorica, the seminars in the country and abroad organized by the Stability Pact for South Eastern Europe, International Labour Organization, European Employers Union, European Union Association, ACILS (American Centre for International Labour Solidarity), PARIM (Public Administration Reform in Montenegro), the Ministry of Health, Labour and Social Welfare of Montenegro, the Ministry of Justice of Montenegro, the Employers’ Union of Montenegro, the Union Association of Montenegro, etc.

The foremost function of inspection control is prevention, and an inspector undertakes administrative measures and actions only when the purpose and objective of inspection control cannot be ensured by the preventive function. In performing inspection control the inspector is particularly obliged to:

1. consider an initiative for the starting of an inspection procedure and inform the submitter on the measures undertaken;
2. inform the responsible person within the controlled entity on the commencement of the inspection control, except if he/she deems that this notification might diminish the effectiveness of the inspection control;
3. show his/her identification to the controlled entity, i.e. to the responsible or other authorized person of the controlled entity;

107 Local self-Government authorities also apply the provisions of this Law when they perform inspection control in accordance with the Law and other regulations.
Assessment of the labour market in Montenegro

4. inform the controlled entity on the rights it may employ during the inspection control procedure;
5. draw a record on the performed inspection control;
6. keep records of performed inspection controls, as well as other prescribed records;
7. keep a state, official, business or other secret;
8. act legally, promptly and in accordance with the Civil Servants’ Code of Ethics.

In performing inspection control, the inspector has the authority to:
1. examine: buildings and premises, land, equipment and appliances, work resources and other objects, products that are put into circulation, goods in circulation, the circulation of goods and services, business books, records and registers, contracts, public documents and other business documentation;
2. establish the identity of the controlled entity and other persons;
3. take statements from the controlled entity and other persons;
4. take samples necessary for establishing the factual state;
5. order the taking of appropriate measures and actions in order to ensure the inspection control;
6. temporarily seize documentation, objects and other things necessary for establishing the factual state;
7. prohibit the performance of certain activities;
8. provide for the execution of ordered measures;
9. undertake other prescribed measures so as to ensure the execution of inspection control.

In order to eliminate the established irregularities, the inspector shall have the obligation and authority to:
1. indicate the established irregularities and to set a deadline for their elimination;
2. order appropriate measures and actions to be taken within the deadline he/she determines;
3. temporarily prohibit the performance of the activity and other actions;
4. temporarily seize objects or means by which some criminal act has been committed, pending the finalization of the procedure in front of the competent authority;
5. pronounce fines, in accordance with the law and other regulation;
6. submit a demand for starting of an offense procedure,
7. bring criminal or other appropriate charges, and
8. exercise other authorities and obligations in accordance with regulations.

When during an inspection control procedure it is assessed that the Law or other regulation has been violated, or standards or table of norms disregarded, the inspector shall be obliged to undertake the following administrative measures and actions:
1. order the opening or closing of a buildings or premises;
2. order the stoppage of construction as well as of execution of works;
3. order the demolition, removal of an illegally started or built structure, and removal of objects from a certain area;
4. order the withdrawal of goods from circulation, respectively the putting of goods into circulation;
5. order the requisition or destruction of things, goods and other products or animals;
6. prohibit the utilization of premises, work resources, equipment, operational sections, appliances, business and other premises, transportation and other means;
7. prohibit the disposal of financial resources from the business account;
8. prohibit the production, utilization or circulation of goods or the rendering of services;
9. prohibit the movement of persons in a certain area, if there is danger to the life or health of natural persons;
10. prohibit the performance of any action that is dangerous for the environment, property, or endangers the life or health of natural persons;
11. pending the decision of the competent authority, seize objects, equipment, work and other resources, by means of which some criminal act has been committed;
12. seize obtained property avail pending the decision of the competent authority;
13. order and undertake other measures that provide for the elimination of the established irregularities, in accordance with specific regulations.

The measures and actions from paragraph 1 of this Article shall last until the elimination of the irregularities, i.e. as long as the circumstances, in consequence of which the measures have been pronounced, persist.

An inspector can take several administrative measures or actions simultaneously when the public interest or the achievement of the purpose and objective of inspection control call for it.

An inspector may pronounce a fine as an administrative measure in cases prescribed by the law. The fine amounts to 50 Euro.

When during an inspection control procedure it is found that the controlled entity has committed an offense for which it is regulated to pronounce a fine on the spot (mandatory fine), the inspector shall pronounce and charge the prescribed fine.

An inspection control may be performed simultaneously by more inspection authorities. Joint inspection control shall be performed particularly:

1. in order to eliminate immediate danger to the life and health of people and property of major value;
2. in order to take urgent measures which do not permit delay;

3. due to the complexity of the control or importance of elimination of irregularities;

4. to control objects of major importance to tourism, trade, catering industry, traffic and alike; to take samples of goods and other objects, the control of which is in the competence of more than one inspection authority;

5. when it is assumed that joint inspection control is more efficient, cheaper and less time-consuming for the controlled entity and the inspectors;

6. to examine statements in petitions or appeals that are in the competence of two or more administrative authorities;

7. in other cases determined by the law or other regulations.

The GoM more precisely regulates the manner of performance of the joint inspection control.

According to the article 122 of the Labour Law if the labour inspector determines that it is obvious that the employer’s decision on cancellation of the labour contract violates the employee’s right, and the employee has initiated a labour dispute, he/she shall, at the employee’s initiative, suspend by his decision the execution of that decision on cancellation of the labour contract, until the adoption of the final court decision. The employee may submit the initiative referred to that within 15 days from the day of initiation of a labour dispute. The labour inspector shall adopt the decision on suspending the employer’s decision on cancellation of the labour contract within 15 days from the day of submission of the employee’s initiative, if all the requirements are met.

During the period January-August 2010, inspections were conducted on the basis of monthly work programs that focused on the subjects of control, legal and natural persons, especially in the implementation of measures through which employees exercise their rights to work and from work, these are payment of regular salary and mandatory payments of minimal holiday allowance in the amount of 165 Euros and the lowest food allowance in the amount of 27.5 Euros, which are regulated by the Labour Law, protection at work of employees from the mechanical injuries by means of tools used for work, controls relating to the implementation of training and training of employees for safe work, having specialist medical certificates of employees in workplaces with higher risk (risks of falls from height, risks associated with mechanical handling of tools, risks associated with work equipment,…), control of the conditions at the workplace and acts on risk assessment.

A total of 38 inspectors who are assigned to the eight regional units of inspection in the period January-August 2010 completed the 10,442 inspections controls, in which 7569 were founded, 791 decision were issued, of which 337 on the elimination of defects due to violations of the regulation from the field of the safety at work, 134 of
the irregularities in the field of labour relations, 337 decision on suspension of work, out of which 50 due to direct danger to life and 169 for engaging employees illegally, and others are due to failure to remove the irregularities in line with the inspector's decision. 81 request for the start of misdemeanour procedure was submitted, and 2,351 mandatory fines were stated totalling 387,915.00 Euros.

Preventive character of this inspection is reflected in advising employers and employees about what are most effective tools when it comes to implementation of existing legislation, the exercise thereof, by the mean of decisions, number of which in this period was 3502, out of which 221 for the payment of contributions for persons with disabilities.

During the reporting period the cooperation with all Ministries was established, especially the good cooperation with representatives of the Ministry of Interior of Montenegro, because the inspectors are provided with their assistance in carrying out the inspection control and investigation.

During the inspection control, in addition to duties and powers established by the Law, inspectors have the duty and authority to:

- Review general acts, collective agreements, labour contracts, decisions and other individual acts, records and other documentation;
- Carry out investigation of serious injuries at work, collective accidents and cases of death.

In the mentioned period, 42 inspections were conducted, out of which in 4 cases death was recorded, 1 collective accident and 37 serious injuries at work. It was also found that the cause of injuries at work is mostly engagement of individuals who are not professionally trained for the tasks they perform, the employees who did not check health conditions, running out of tools and their usage without prior provision of expert findings of the authorized organizations for safety at work.

In this period, according to the directive of inspectors at work 2,945,417.00 Euros of pension and disability insurance contributions as well as 138,220.00 Euros of payments of the special contribution to the Fund for vocational rehabilitation and employment of persons with disabilities was paid.

Number of persons who are employed in accordance with the Law on Employment of Foreigners and who are registered via control of Inspection at Work was 6626, while according to the EAM within the specified period 10,062 work permits for foreigners were issued.

Also, during summer season inspectors of protection at work in the six coastal municipalities carry out intensive supervision of major hotels and restaurants. Every year before summer season, the Action Plan for carrying out inspections controls, is adopted, in order to have majority of employees on the Montenegrin coast included in the supervision of this Inspection. This is due to the fact that during the tourism
Assessment of the labour market in Montenegro

season employers hire more employees. According to the Action Plan, the control over the implementation and enforcement of regulations governing protection at work of employees of any injuries or death, as well as the provision of adequate working conditions with a view to a more productive and quality work, is strengthened. Inspectors of protection at work, the Ministry of Labour and Social Welfare supervise the implementation of the Law on Protection at Work and by-Laws in accordance with the Law on Inspection Control (Official Gazette of RoM, No. 39/03) and the Law on Administrative Procedure (Official Gazette of RoM No. 60/03). Obligations of inspectors in this period are as follows:

- to determine the number of inspections controls, together with the Chief Inspector, due to the specific features of inspections control in the area of protection at work, since they are aimed at companies with more employees or in the activity which represents an increased risk to life and health of employees.
- to take all measures within its competence,
- to inform representatives of relevant inspections about the observed irregularities within the jurisdiction of other inspections and participate in the exercise of joint control,
- to deliver Report on its work biweekly and monthly with the assessment of the current situation and proposal of measures to the Chief Inspector, while Chief Inspector submits a monthly Report to the Minister for review, and if necessary more frequently.
- to include Chief Inspector, in the case of need, in more complicated controls to monitor the quality of inspectors work,
- to involve coordinator on the ground in dealing with inspectors.

Performing inspections controls during the tourist season is a special challenge for inspectors due to the fact that monitoring should be quality. There are 24,000 subjects of control with the permanent license to operate, and an additional 7,000 subjects of control who perform activity only during the summer months in the territory of six coastal municipalities.

It should be noted that the Ministry of Labour and Social Welfare implemented the Action Plan for the summer season in six coastal municipalities. It called for activities carried out in order to prevent undeclared work, with special emphasis on employment of foreigners and the safety at work of employees.

Plan of activities for the summer tourist season 2010 envisaged the increased number of controls of Inspections at Work that needs to be undertaken in order to achieve by the Law prescribed measures all with the view to have efficient control of subjects, legal entities and individuals, especially in the implementation of the following measures:
Employees to exercise their right to lawful employment, the payment of regular wages and mandatory payment of holiday allowance,

Ensuring safety at work of employees from mechanical injuries by means of tools they use while working,

Conducted training and training of employees for safe work,

Possession of specialist medical examinations of employees in workplaces with higher risk (risks of falls from height, risks related to the mechanical handling of tools used during work, risks associated with work equipment,..),

Control the conditions at the workplace and acts on risk assessment regulating the Law on Protection at Work.

During tourism season labour inspectors and inspectors working in the field of protection at work from the continental part of Montenegro, are conducting strengthened surveillance on the territory of the coastal municipalities, together with colleagues who are normally deployed in the coastal municipalities, because it is known that the number of supervised subjects in these municipalities increases significantly, and this requires an increased number of inspectors who monitor situation. In this regard, and in line with the Action Plan via which Inspection at Work in details works out activities of the inspectors, the priority is placed on combating the possible appearance of the grey economy and prevention of injuries at work.

So, the inspectors of the Ministry of Labour and Social Welfare are primarily during the tourism season obliged to work in two shifts, in order to include in their supervision more subjects, and, therefore, more in work engaged employees.

It is important to emphasize that in addition to intensive supervision in the territory of the coastal municipalities, increased activities in the tourism destinations in the north of Montenegro are planned.

The results of work of Inspection at Work in the first three shifts in the period from 15 June to 1 September 2010 showed that the presence of Inspection at Work at the coast is necessary in order to protect by Law determined rights of employees.

Namely, during this period control over 4311 subjects was done and 3433 irregularities are found. In particular, it is pronounced a large number of foreigners who are illegally engaged in work. In order to employ foreigner in Montenegro, the employer have to obtain at the first place work and residence permit.

In order to combat illegal work or work in the black, inspectors at work have to determine that phenomenon, or if they determine that the employer hired the employee without concluding Labour Contract with him and without registering him to all kinds of social insurance, regardless whether he is a foreigner or a domestic
employee, a temporary ban on the work of the subject of control will be imposed until the irregularity is removed, and that is the moment when the legal status of employee in the labour market in regulated. In addition to cases of illegal work, inspectors at protection at work have to impose bans when they determine in their controls that the health and lives of employees are in danger, or when an employer fails to comply with the decision of this inspector.

In this period, due to the mentioned irregularities 131 temporary measures prohibiting work were issued by the labour inspection. It has already been stated that the control of labour inspections founded 3433 irregularities, based on which 1546 of mandatory fines totalling €255,090.00 were issued, and in 1,420 requests subjects of control were asked to remove irregularities, for those that failed to be realized, 284 Decision was issued and their enforcement is in progress.

The cooperation of employees, who feel that their labour rights are violated, and the Inspection at Work over the recent period is more evident, in a way that more and more initiatives in which employees address Inspection at Work emerge. In this period, 97 initiatives was submitted.

During the reporting period, the greatest number of violations of the Law relate to the breach of the Law on Employment and Work of Foreigners, which means that the 729 foreign nationals were founded in illegal employment.

According to the EAM data, during June, 2094 working permits for foreign nationals were issued, and in period until 26.07.2010, 8886 working permits have been issued.

By the Decisions of the coastal municipalities, construction is banned as of 15 June. Situation on the ground is different and the construction sites still exist and injuries of employees emerge. Inspectors at Work are continuously present on the construction sites, in order to stop injuries of employees and to put their employment into legal framework.

Every year, these inspections are developing a strategy of their work, which enables work to be done quality and to immediately have visible results, above all, through the number of newly employed on compulsory social insurance, as well as the amount of contributions for mandatory social security and reduction of unemployment, improved working conditions of employees, reduced number of workplace injuries and reduced work in grey economy.

It is important to note that, in addition to intensive supervision in the territory of the coastal municipalities, this inspection carried out increased and strengthened activities in the tourism destinations in the north of Montenegro.

2.2 Employment Agency of Montenegro (EAM)

First Employment offices in Montenegro were established in 1960, based on the Law on Employment (Official Gazette FNRJ, No 27/60). Name – Employment Agency of
Montenegro (EAM) was settled by *Law on Employment* in 1990 (Official Gazette of Montenegro, No 29/90). Amendments to the Law in 1991, organized the EAM as public service with the characteristics of a legal entity. This status exists until today.

EAM is a legal person with rights, duties and responsibilities that are based within the *Constitution of Montenegro*, *Law on Employment and Professional Rehabilitation of Disabled Persons* and the *Statute of the EAM*. EAM performs a public service to meet needs in the field of employment in the territory of Montenegro. Administrative oversight in the areas of employment is by the MLSW, in accordance with *Law on Employment and Professional Rehabilitation of Disabled Persons*.

EAM is pursuing own influence on the labour market in Montenegro via implementation of the *Law on Employment and Professional Rehabilitation of Disabled Persons*, other labour regulations, regulations of the health, pension and disabled persons insurance, etc. The main roles of the EAM are the following:

- Agency between employers and employees;
- Preparation for employment;
- Research, planning and development;
- Ensuring insurance rights in the case of unemployment;
- Offering of professional information and guidance, organised in specialised centres (CIPS) which are currently only operational in Podgorica and three locations in the coastal region (Bar, Herceg Novi, Kotor).
- Statistics (statistics of unemployment and employment; statistics of the need for employees; certificates related to the employment that are in charge of the EAM, data processing for preparation of statistical and other reports, information and analysis, etc.)

However, the main role of the *EAM* is to intermediate in employment process. This role is performed through:

- Monitoring of actual and expecting needs for the certain employees profiles, technical and other labour requirements;
- Notifying employers about possibilities to provide necessary employees;
- Notifying unemployed persons and others about conditions and possibilities for employment and realization other rights based on the unemployment;
- Participation in creation and delivering passive and active labour market policy measures;
- Management agency in announcing and fulfilling free job positions, participation in candidate selection, and preparation for employment.

The basic goal of *EAM* work is to help unemployed persons to be as soon as ready to engage in the world of work, and that employers offer the right man for the challenges that we can expect the economy. As an organized institution in the labour market, monitoring and recognizing the social and economic developments, EAM can
Assessment of the labour market in Montenegro

significantly contribute to the promotion of market efficiency in meeting the current and expected needs for personnel and, through various educational activities, enlarged the employability of the unemployed, especially those have difficulty in finding a job: youth without work experience, the older unemployed and disabled.

The main activities of EAM are as follows:

- **Employment**

Since 2000, employment trend was growing up. In 2008, agented by Employment office of Montenegro, 40,575 persons got job. In 2007 this number was 40,202; in 2006 32,838; in 2005 21,593; 2004 15,252; in 2003 11,815.

- **Employment of postulants**

Within the ALPMs, special place is taken by stimulation of employment through financing qualification improvement of postulants with different education level. From 2004 to 2009, almost 10,000,418 postulants were employed. In the same period, EAM participated in financing wages for about 7,000 postulants.

- **Employment in season**

One of programs of the ALPMs is related to the seasonal employment. This program includes 25% of unemployed persons from the evidence of EAM in 2009. In period between 2003 and 2009 on seasonal jobs were employed 38,000 persons.

- **Preparation for employment**

Within the programs that are realized with goal to readjust labor force and companies to labour market, special place is taken by programs related to the trainings and courses aimed to the skill improvement of potential employees. In period from 2003 to 2009, about 23,000 persons attended these programs.

- **Public works**

In period from 2003-2009, EAM in cooperation with the GoM ministries, municipalities, public institutions and NGOs, employed almost 5,000 persons in public work. These public works, organized in order to help implementation of different social, cultural, communal, ecological and etc programs, are based on unprofitable, public valuable work. These programs influence creation of new working places, improve working potentiality, level of knowledge and skills, etc.
Assessment of the labour market in Montenegro

- **Employment of foreigners**

Very important service that EAM provides is related to employment of foreigners. Namely, in order to stimulate employment in Montenegro, the GoM adopted Decree on Employment of Foreigners. Since the Decree implementation, about 160,000 foreigners were employed. In addition to that, as of January 1st 2009, the Law on Employment and Work of Foreigners became effective.

- **Loans for self employment**

Since 1999, EAM has realized program of self employment, related to the continuous stimulation of employment and entrepreneurship in Montenegro. This program has provided credits with conditions better as compared to the market ones. In September 2008, Employment Office started with realization of the Innovated Program for Continuous Employment and Entrepreneurship Stimulation in Montenegro, which presents continuity with ongoing Program of Self-Employment.

The main goal of the Innovated Program was to provide credits in special conditions, related for realization of quality, economic tenable business ideas. All this with the view to stimulate entrepreneurship development, with special attention placed upon less developed municipalities, and creation of new, efficient small business that would create work places for a long time.

During the period 1999-2009, almost 10,000 credits were approved, with total value of about €50 million and 16,000 employed persons.

EAM is performing its activities in the central service, labour bureaus and offices.108 There are 7 labour bureaus and 14 local offices established on the territorial principle, with 345 employees (out of which about 300 are women). The highest percentage of employees in the Department of Employment Agency of Montenegro has completed university education (51%), followed by those with completed V and VI grade (21%) and those with completed secondary school (21%) and the lowest number of employees have a qualification lower than that of IV degree (7%). The central service is in Podgorica and it consists of the following sectors and one business unit:

- Employment sector,
- Research sector,
- Self-employment development and financing,
- Sector for legislative and general affairs,

---

108 The Statute of the EAM regulates the way and the procedure for realizing the rights of the unemployed persons, the headquarters and the function of the EAM, the organs’ competence and the decision-making, the principles for the internal organization of the EAM and other relevant issues. The Statute is passed by the Administrative Board, and the Statute is approved by the Government.
Assessment of the labour market in Montenegro

- Sector for economic affairs,
- Information sector,
- PJ Centre for human resources with the training centres in Podgorica, Berane and Herceg Novi, with continuous provision of training for counsellors.

These 7 labour bureaus and 14 local offices are territorially divided in the following way:

- Bar (with offices in Budva and Ulcinj)
- Berane (with offices in Andrijevica, Plav and Rozaje)
- Bijelo Polje (with the office in Mojkovac)
- Niksic (with offices in Plužine and Šavnik)
- Pljevlja (with office in Zabljak)
- Podgorica (with offices in the holes, Kolašin and Cetinje)
- Herceg Novi (with offices in Kotor and Tivat)

The organisational structure of the EAM covers all functions of a public employment service, and service procedures have been continuously improved. Each year, EAM prepares and submits to the GoM the following two documents: Annual Report of EAM and the Program of Work for the following year. The formal political responsibility for the EAM lies with the Ministry of Labour and Social Welfare, and the budget of EAM is allocated by the Ministry of Finance (since 2008 it has been included in the treasury system of the Ministry of Finance).

Table 2. Employment and financial plan of EAM (million of Euros)

<table>
<thead>
<tr>
<th>Employment Agency of Montenegro</th>
<th>2009</th>
<th>2010</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37.340</td>
<td>32.681</td>
<td>345</td>
</tr>
</tbody>
</table>

Source: Amendments to the Law on Budget for 2009 and Law on Budget for 2010

The budget of the EAM is composed of the following sources:

- contributions for unemployment insurance
  The rate of 1% on gross wage (0.5% at the expense of employee and 0.5% at the expense of employer).

- revenues from privatisation
  These revenues have decreased sharply because privatisation of state enterprises is almost completed. They are used for stimulation of self-employment and private entrepreneurship, as well as for the implementation of active employment policy measures (training, retraining, clerks, public works, professional orientation, etc.).

- the state budget
This source of revenues has the greatest share of more than 50% and is used for compensation and funding for recruitment of trainees.

- **return on loans for self-employment** (grounds for re-financing for the same purpose);

- **fee** as compensation for expenses incurred in the issuance of work permits non-residents in accordance with the *Law on Employment and Work of Foreigners*, which is paid in accordance with the *Law* on administrative fees, and

- **grants, interests** and **other receipts** in accordance with the *Law* and established budget of the current year.

EAM’s annual overall labour market expenditures remain relatively constant since 2006 (around €30 mil). Majority of EAM budget (about 47%) is spent on passive labour market measures, followed by expenditures on active labour market measures (28%), while the rest is related to the management and administration (17.5%) and expenditures for self-employment and micro credits (8%).

The bodies of the EAM are *Steering Committee* and *Director*. The *Steering Committee of the EAM* is in charge of suggesting the means of employment and scholarship policy, and the realization of employment programs and undertaking other activities that are related to human resource development.

### 2.3 Private employment agencies

Beside EAM, very important role in a labour market of Montenegro is held by private agencies for employment – *Marmil* and *Career team*.

#### 2.3.1 Employment agency - Marmil

"*Marmil*" - private employment agency was founded in 2003 in Podgorica. The goal of the agency is providing support to entrepreneurs in finding the necessary workforce and future workers interested to find desired employment or already employed to find additional or change existing job.

Also, the goal of the agency is meeting of supply and demand of labour, desire for employment of the best workers in the desired area and creation of a database of labour supply and support of seasonal employment that will provide prosperity of Montenegrin tourism and reduce the unemployment rate.

When the employer expresses a desire for a certain profile, agency, if such personnel has, make the right selection among those that best match the profile from the database; organize individual interviews with candidates and those who are best sent to talk with the company, which calls for the staff. If the company chooses a candidate, it is followed by procedure of signing the contract between the agencies and companies, agencies and candidates.
Assessment of the labour market in Montenegro

The Agency “Marmil” has developed cooperation with ESPI Institute, GTZ, Adižes Institute, Montenegrostars Group and hotel “Splendid”, “Avala”, the company Siemens etc.

Marmil offers the following services:

1. Labour exchange
2. Temporary Employment
3. Selection of personnel
4. Organization of training and training seminars
5. Labour Market Studies
6. Working on projects and programs that will affect on the increase in employment.

Marmil also organizes or takes active participation in organizing fairs (tourism), as well as many trainings, courses and seminars.

2.3.2 Employment Agency - Career Team

Career Team was established on July 2006. The main goal of Agency is to be efficient assistance in every part of professional employment of labour force. The Agency is established with the vision of efficient connection between labour force and companies. The main idea of the vision of agency is “right man at the right position”.

The main goal of Career Team is to improve personal structure in domestic companies from the one side and from the other side to provide professional work for the citizens of Montenegro. The main services which this Agency provides are the following:

- Recruitment and selection of candidates;
- Seasonal employment;
- Headhunting;
- Staff leasing;
- Many types of courses;
- Promotional activity;
- Trainings of business skills;
- Projects.

Agency has database with about 10,000 biographies of potential candidates. From that database they choose the best profile for proper job and evaluate candidates via the means of direct contact. The first step in selection of candidates is interview, followed by the analysis of biography. Agency also checks the basic ability of candidates and after the candidates are tested on their abilities and skills, the final selection is made.
Assessment of the labour market in Montenegro

The key projects of Career team are employment fairs. At the beginning, the Agency was bringing together companies looking for the new staff and unemployed persons with high education degree. But, with its development, Career Team Employment Fair has expanded its scope. Recently when the Employment Fair was organized the Agency was a link between businesses looking for new personnel and unemployed regardless their educational background. So far, around 2000 people has got a job through this Agency.

2.4 Labour Fund

The youngest labour market institution in Montenegro is Labour Fund. Its set up was envisaged in the old Law on Employment (Official Gazette of RoM, no 29/05). Institutional regulation of the Fund is aligned with the regulation from the Law on Employment and the Labour Law. It is established as a source of national co-financing for implementation of EU program and national programs from the field of employment and human resources development. The issue of the Fund and its structure has been discussed several times within the CARDS Project “Labour Market Reform and Workforce Development,” and also the workshops and comparative analyses with the countries of similar economic systems and opportunities have been planned. Namely, Labour Fund has Director and the Board of Directors comprising of 9 members who are representatives of the Trade Union (2), Union of Employers (2) and the Government (5).

Labour Fund provides money support for unemployed persons who became redundant in closed or transformed companies. It is a kind of guarantee institution for the payment of receivables for the employees in the case their employer went bankrupted. It is expected that during 2010, Fund will pay compensations to about 1200 workers. The budget of the Fund for 2010 is set at the level of €3,2 million. The sources of the Labour Fund financing are: state Budget, grants and fees from employers. Employees who became redundant, and the employer did not repay them, can in the period of one year register themselves at the Labour Fund, for realization of their rights. It is envisaged that all employees who since the adoption of the Labour Law by court decision got the right to the payment of receivables, are allowed to get compensation. The Labour Fund is obliged to report on all its activities to the GoM.

According to the Article 23 of the Law on Labour Fund the procedure according to which a person can achieve own rights to the payment of the unpaid claims can be initiated by employees who until the day on which Labour Law was put into effect (August 23th 2008) lost their job because of the bankruptcy of enterprises or employees who became redundant due to the technical, economic and restructuring changes in the company. The period in which they can achieve these rights is one

109 The Law on Labour Fund was adopted in December 2009 and it was followed by the Decision on establishment of Labour Fund.
year from the day in which Law on Labour Fund was put into the force, that is January 8th 2011.

In the situation of bankruptcy, according to the Article 98 of the Labour Law, employee has the right to the following payments:

(1) wages and compensations to the wages during the time of absence from the work in the case of the temporary prevention for work, in accordance to the regulations on health insurance which had to be paid by employer, according to the Labour Law.

(2) damage compensation for unused holiday due to the fault of employer, for the calendar year in which bankruptcy process started, under the condition that he/she had that right before the bankruptcy procedure has started.

(3) severance pay when going to pension in the calendar year in which bankruptcy process started, under the condition that he/she had the right to pension before the bankruptcy procedure has started.

(4) damage compensation according to the Decision adopted in the calendar year in which bankruptcy process started, because of the injury on work or professional illness, under the condition that such a decision became legal before the bankruptcy procedure has started.

(5) payment of mandatory social contributions on wages.

According to the Article 98 of the Labour Law, the procedure according to which a person can achieve own rights to the payment of the unpaid claims can be initiated by employee, or bankruptcy manager in period of 30 days from the day when legal decisions determining right to the claim was put into the force, and in the situation when bankruptcy procedure started in enterprise (in accordance to the Law regulating bankruptcy procedure), in a period of 6 months from the day when Law on Labour Fund was put into the force, for employees who through legal decision obtained the right to the claim after August 23th 2008, that is until July 8th 2010.

During June 2010, Board of Directors of Labour Fund decided to adopt 214 requests for the payment of claims determined by the Law on Labour Fund\(^\text{10}\). For these adopted requests, Director of the Labour Fund made decision for the payment of the amount of €1.926 per person. The amount of paid funds based on these decisions totals €398,682.00

\(^\text{10}\)Board of Directors of Labour Fund discussed 272 Requests. Out of that amount, 214 are adopted, 11 are rejected and the rest of 47 requests have to be supplemented in accordance to the Law. 11 Requests are rejected since documentation of institutions that paid claims in the previous period (Trade Union and the Ministry of Labour and Social Welfare) showed that these persons have already been paid on this basis.
2.5 Agency for Peaceful Resolution of Labour Disputes

Agency for Peaceful Resolution of Labour Disputes was established by the Government of Montenegro at the beginning of 2010. The logic behind its establishment lays in the fact that Montenegro, as other transition countries, is not saved from the labour disputes that are taking place within court procedures. With the establishment of such institution, the expectation is that number of labour disputes will be reduced, courts will see lower burden in this field, level of social dialogue will be strengthened and the number of strikes will be lower. Consequently, Agency was founded with the aim to:

1) perform expert affairs regarding peaceful resolution of collective and individual disputes;
2) select mediators and arbiters;
3) keep the Register of mediators and arbiters (hereinafter: the Register);
4) provide training and professional capacity building of the mediators and arbiters;
5) decide on the removal of mediators and arbiters;
6) keep the record of the procedures of peaceful labour disputes resolution;
7) perform other tasks stipulated by the Law.

In this way, employees will be allowed to settle down labour dispute in the faster and more efficient way, without court procedure.

The common opinion of all individuals interviewed is that the establishment of Agency for Peaceful Resolution of Labour Disputes is the result of positive movements in the process of social dialogue in Montenegro.

This institution is a separate organization which exclusively deals with the specific work within the field of peaceful resolution of the labour disputes. The funds for the Agency's establishment and operation are provided from the state Budget.

One of the basic preconditions for the start of the proper functioning of this Agency was training of mediators, that is arbiters, followed by their election in September 2010. Training of mediators, that is arbiters, was done in collaboration with ILO.

The main activity of this Agency – peaceful resolution of labour disputes is regulated by the Law on Peaceful Resolution of Labour Disputes ("Official Gazette of Montenegro, No. 16/07). This Law regulates the manner and procedure of peaceful resolution of collective\(^{111}\) and individual\(^{112}\) labour disputes.

\(^{111}\)Collective labour dispute is the dispute that arises:
  - in the procedure of signing, as well as changes of and amendments to the collective agreements;
  - in case when the employer fails to apply the specific provisions of the collective agreement to all employees;
  - with regard to the exercise of the right to trade union organizing;
Assessment of the labour market in Montenegro

The Law envisages that in the case of individual labour disputes, the arbiter shall be the person who manages the dispute and decides on the subject matter of the individual dispute. Arbiter shall adopt the decision on the subject matter of the dispute within 30 days from the date of opening of the hearing. During the procedure before the arbiter, the deadlines for initiation of dispute before the responsible court shall not run. Also, parties may agree that even during court procedure initiate dispute before arbiter. The procedure ends with the adoption of decision, which becomes final and enforceable as of the date of delivery to the parties in dispute.

No appeal shall be possible against the decision of arbiter. However, against the decision of an arbiter it shall be possible to initiate action for annulment. The decision of the arbiter may be annulled by the court, only if the party that initiates the action for annulment proves the following:

- that the agreement on selection of an arbiter has not been concluded or has not been effective;
- that the dispute has been decided by an arbiter who had had to be exempt/challenged;
- that the party in dispute had not been capable of concluding the agreement on selection of an arbiter;
- that the party that initiated the action for annulment has not been properly informed about the initiation of the mediation procedure before an arbiter, or that it had been prevented in an illegal manner from presenting its views before the arbiter;
- that the decision relates to the dispute that is not stipulated in the agreement.

For resolution of collective labour disputes, the mediator shall be the person providing assistance to the parties in a collective dispute, with the aim to conclude an agreement on dispute resolution. The mediator brings about Recommendation which is not binding for the parties in dispute. If the parties in dispute accept the recommendation, they shall sign the agreement on dispute resolution. If the subject matter of the dispute is a collective agreement, the signed agreement becomes an integral part of the collective agreement. On the other side, if the subject matter of the dispute is not a collective agreement, the signed agreement shall have the power of a judicial settlement.

However, if the party in dispute does not accept the recommendation of the mediator, it is obliged to state the reasons for non-acceptance of the recommendation within three days from the date of delivery of the recommendation.

---

112 Individual labour dispute is the dispute that arises in the exercise of the rights of the employee from work and on the basis of work. Parties to the individual dispute are the employee and the employer.
At the proposal of the mediator, the Agency may publish the recommendation and the reasons for non-acceptance of the recommendation in the media.

The basic principles on which this Law is based are as follows: *principle of voluntarism, principle of equality, principle of confidentiality, principle of impartiality* and *principle of independence*. The exemption from the principle of voluntarism exists in the case of collective disputes which emerge in the activities of public interest\(^{113}\). In these activities, parties in dispute shall jointly submit the proposal, within three days from the date when the dispute arises, or shall inform the Agency of such event. In such case, the Director of the Agency, *ex officio*, shall initiate the mediation procedure and appoint the mediator from the Register.

### 2.6 Union of Employers

The mission of *Union of Employers* is development of social dialogue, representation and protection of interests of employers and entrepreneurs in relation with Trade Union, Government and other governing authorities at national and local level. The main objective is the establishment of strong, independent and unique institution of employers and entrepreneurs.

*Union of employers* is an umbrella and representative organization gathering employers and entrepreneurs whose membership consists of SME, associations and big economic systems. Members of Union of Employers have a share of over 85% of GDP and employ over 65% workers.

Union of Employers gathers employers and entrepreneurs and thus presents an independent voice of business in Montenegro at national and international level. At the same time it is the member of *IOE (International Organization of Employers)* and has the official representatives in EU countries and the USA.

Members of Union of Employers are micro, small and medium sized companies, associations and large systems. Members are provided with the free legal services regarding free legal advises, aid in composition of legal acts in the field of the *Labour Law*, as well as the aid in interpretation of legal provisions concerning their activities. Besides that, members may count on full cooperation of Union of Employers in case of eventual disputes which may occur in relation to authorities and institutions, and mediation in their resolution.

---

\(^{113}\) The activities, in the sense of the *Law on Peaceful Resolution of Labour Disputes*, represent the activities performed by the employers in the areas of: electricity supply, water management, transport, information (radio and TV), PTT services, communal activities (water production and supply, waste disposal, production, distribution and supply of energy sources, etc), fire protection, production of basic foods, health and veterinary protection, education, culture, social care for children and social welfare. The activities of public interest, in the sense of this *Law*, shall include the activities of special importance for defence and security of Montenegro, in accordance with the *Law*, and the affairs necessary for the fulfilment of obligations defined in international agreements, which are stipulated as such by the state authority responsible for the specific area or activity.
Assessment of the labour market in Montenegro

Additionally, Union of Employers is constantly informing the market on business activity of its members, products and quality of services offered by them. Members’ presentations are located on web site of the Union of Employers. Besides that, Union of Employers constantly performs the following activities in order to improve protection and representation of its members’ interests:

1. Connecting and improvement of cooperation with similar associations in the Western Balkan, EU, USA, and Eastern Europe,
2. Connecting its members with foreign partners,
3. Connecting with potential foreign investors and investment funds,
4. Connecting with credit organizations in order to support development of small and medium sized enterprises sector.

2.7 Montenegro Business Alliance (MBA)

Montenegro Business Alliance (MBA), established in 2001, is a business association that brings together entrepreneurs, both local and foreign investors. Since its founding, MBA is working on promoting private sector development and points to problems in the existing legislation, with the intention of the offered proposals to contribute to the elimination of existing barriers and improving the overall environment for business in Montenegro. MBA brings together more than 500 successful companies in Montenegro.

The mission of MBA is, through concrete proposals, to improve conditions for doing business in Montenegro, to cooperate with public and private sector, international organizations and individual experts to contribute to the development, growth, investment and prosperity in the economy of Montenegro.

MBA long-term goals are as follows:

- To help create a healthy business environment for private businesses, which represent the main pillar of development of Montenegrin economy;
- To improve the environment for investment;
- To ensure greater participation of private sector in making the new legislation;
- To participate in the implementation of reform legislation;
- To be a leader in achieving national consensus on priorities for future economic development of Montenegro;
- To constantly expanding range of services it provides to its members;
- To build private-public partnership;
- In order to constantly enlarging its membership.

Strategic Partners MBA are domestic and international firms. Policy makers, the media and the public seek an opinion from the MBA. Montenegrin citizens respect for the MBA because of the knowledge transferred and shared with them, especially in schools and colleges.
Work of MBA is taking place across the Assembly (which consists of all members), the Board of Directors (which has 15 members), the Executive Director and other employees in the MBA.

2.8 Institutions linking labour market and education system

Before the beginning of the reform in 2003, the education system in Montenegro was centralised with the Ministry of Education and Science (MES) being responsible for defining national policy in education, structuring and financing education, establishing and managing education institutions owned by the state, preparing legislation in the field of education and science, implementing legislation that refer to pre-school, primary school, secondary school, special school, high and adult education, teacher training, adoption of curricula and syllabi, approval of textbooks and reference books, development of research and science and research organisations and services.

Decentralization means an increased participation of the representatives of local community, citizens, their associations and parents in educational changes. Larger number of institutions ensures better distribution of work, but at the same time it is a challenge in terms of coordination of activities and strategies for achieving the overall reform goals. In the situation in which every institution is responsible for its own sector, there is a danger of fragmentation of reform activities and lack of coherence in the implementation of the overall reform goals. They ensured direct influence on the work in schools and on the education process. With the aim of decentralization of the education system, new institutions and bodies were established and the part of competencies of the Ministry was transferred to them. These are the following:

- **Ministry of Education and Science**: line Ministry that has the overall responsibility for the design, implementation and review of the education and training policy in the country.
- **Executive agencies**: Bureau for Educational Services, Vocational Education and Training Centre, Examination Centre, Textbooks and Teaching Aids Office, Office for International Scientific, Educational, Cultural and Technical Cooperation.

*Ministry of Education and Science* is in the charge of the activities related to the establishment of national policy in education, setting the framework of the education system, financing education, implementation of the national policy of education in coordination with other institutions, establishing and managing national education institutions, preparing legislation in the field of education and science, implementing legislation, international cooperation in the field of education, support and
Assessment of the labour market in Montenegro

coordination of the activities of education institutions responsible for research, development, counselling and other activities.

MES is in charge of mutual recognition of professional qualifications. The Ministry recognizes foreign education qualifications for the purpose of employment through the National Information Centre (ENIC).

The Minister of Education appoints the school principals, decides on the number of students to be enrolled, is responsible for financing the schools, curricula and textbooks and, through the Inspectorate, monitors the work of the schools in the classrooms.

MES budget for 2011 is set at the level of 115,92 mil. € and covers the following 10 programs: Pre-Primary Education, Primary Education, Secondary Education, Education of Persons with Special Needs, Vocational Education and Training Center, Pupils and Students Standard, Science, High Education (ZAMTES), Textbooks and Teaching Aids Office.

Council for Vocational Education (12 members) as an expert body is in charge of: passing the curricula for subjects and examination catalogues for practical, vocational, final, master’s, graduation exams and other exams to be taken in the field of vocational education, establishing curricula for vocational education, curricula for vocational education of children and the young with special needs. Namely, in accordance with General Law on Education, the Government of Montenegro has formed a period of six years, the Council for Vocational Education. This is a tri-partite body competent for making decisions on the professional matters and professional assistance in the decision-making and preparation of regulations in the field of education.

Council for Vocational Education and Training deals with the following:

(1) adopts subject categories (standards) of knowledge and exams catalogues (standards) for vocational-theoretical subjects and all types of exams (practical, professional, final, master and diploma examination) that are taken in the field of vocational education in accordance with the Law, the methodology for the preparation of textbooks for vocational-theoretical subjects, and the scope and content of education which is conducted by the employer.

(2) approves textbooks and teaching aids for vocational-theoretical subjects.

(3) determines educational program for vocational education, and educational program for vocational education of children with special needs.

(4) suggests a general part of the educational programs for vocational education and for vocational education for children with special needs; standards of space,
Assessment of the labour market in Montenegro

teaching aids and equipment for institutions of vocational education, and the profile and qualifications of teaching staff for the professional and theoretical subjects.

(5) performs other duties in accordance with the Law and the founding act of the Council.

The Council for Adult Education (9 members) was appointed by the Government of Montenegro based on the proposal of the social partners (tri-partite body). The Council for Adult Education brings knowledge catalogues and exams catalogues, establishes educational programs for adult education, customized programs for adult education, establishes educational standard in the educational field of certain professions, establishes equally valuable educational standard in the educational programs of private organizers of education. The Council has jurisdiction to approve textbooks and teaching aids when the need arises. It proposes educational programs of training, retraining, additional training, advanced training and specialization of employed and unemployed people, and it also gives instructions or performing customized educational programs and a number of other tasks pertaining to this issue.

Council for General Education (15 members), similar as the Council for Vocational education and the Council for Adult Education, provides expertise in decision-making processes and drafting regulations for the education sector, related to curricula; catalogues of knowledge; examination catalogues; textbook development standards; training programmes for school headmasters standards for school facilities; teaching aids and equipment; profile and professional qualifications of teachers; list of compulsory elective subjects. The Council for Higher Education (11 members), appointed by the Government for a period of six years, provides expertise related to improving quality of higher education. The Law on Scientific and Research Activities specifies the composition, responsibilities and working procedures of the Council for Scientific and Research Activities in Montenegro (9 members).

The Bureau for Educational Services is competent for quality assurance, including also the performing of professional tasks related to the drafting of curricula within the area of preschool education, primary education, general secondary education and general section of the curriculum of vocational education and provides support to the work of the Government body-Council for General Education. In 2011, budget of this institution will amount to €1,02 million. It has 76 employees and their salaries are calculated in accordance to the Law on Calculation of Salaries of State Employees. Significant amount of the budget is determined for activities of the Council for General Education.

Vocational Education and Training Centre is in the charge of the advisory, research and expert activities in the field of vocational and adult education: expert activities of monitoring, analysing and developing education system; working in cooperation with the institutions on the enhancement of education work; preparing expert tasks in the fields decided upon by the responsible councils and MES; doing expert activities in preparing curricula, catalogues and standards of knowledge, occupational standards,
Assessment of the labour market in Montenegro

norms and standards for teaching aids and equipment; doing research and monitoring experiments; advisory work in the institutions in the field of vocational and adult education and in the institutions connected with education; preparing education and pedagogic and methodological standards for textbooks and manuals for vocational subjects in vocational education; preparing professional standards for teachers; organising training for teachers and principals. The special task of this institution is organization of Fairs for Adult Education. It has 23 employees and the overall budget for 2011 amounts to €0,46 million.

Examination Centre is responsible for external testing of the achieved standard of knowledge and skills. It is also responsible for the following: preparation of tasks, organisation and implementation of exams according to the Law; training institutions for preparation for external examinations; advising and providing services related to external examination; research and development of the external evaluation of knowledge; international comparability of the education system quality and other tasks according to the Law and memorandum of association. It has 26 employees whose salaries are calculated in line with the Collective Agreement for Examination Center. The total budget for this institution for 2011 is set at the level of €0,69 million.

Since 1992, Textbooks and Teaching Aids Office issues necessary documentation-school forms for primary and secondary school with the education on Montenegrin and Albanian language and the has the obligation to save and distribute school forms to schools. It has 41 employees whose salaries are calculated according to the Law on Salaries for State Employees. The overall budget envisaged for 2011 amounts to €0,51 million.

ZAMTES is in charge of international scientific, educational, cultural and technical cooperation of Montenegro with other countries. Planed budget for this institution is In the amount of €0,40 million. Human resources are composed of the 16 employees and their salaries are calculated in line with the Law on Calculation of Salaries of State Employees.

2.9 Human Resources Administration

The Human Resources Management Authority (hereinafter referred to as HRMA) was established in 2004 as the new authority in the state administration system of Montenegro. The main functions i.e. competencies of this state authority are aimed at management and development of human resources in the Montenegrin state administration authorities, as well as the maintenance of a personnel information system for human resources management and development in these authorities. Considering these principal functions of the HRMA and the objectives of the public administration reform of Montenegro, which are defined by the Public Administration Reform Strategy in Montenegro, it can be said that the general mission of the HRMA
is the improvement and promotion of the human resources management system in state authorities, as well as an increase of professional capacity of their personnel.

Recognizing the significance of its function, the HRMA sets, as its most important task, the provision of conditions for modern human resources management in state authorities and their permanent development in accordance with the principal European standards in this domain.

In Montenegro it is recognized fact that there is no good governance without professionally trained and competent civil servants, which is achieved by establishment of an appropriate civil service training system. Civil servants and state employees develop their professional competence in accordance with the Training Programme for Civil Servants and State Employees, which is determined by the HRM Authority. This Programme particularly determines the matter of expert training, as well as the amount of resources necessary for the realization of the programme. The expenses of expert training of civil servants and state employees are borne by the respective state authority.

The HRMA (i.e. its Sector for Training and Development) pays special attention to the training needs of civil servants and state employees, which differ with regard to the civil servants’ areas of work, expertise and position. The developed training programmes are intended to be attractive not only with respect to the substance, but also with respect to the working methods used. The working Many programmes are designed in the form of interactive workshops that require an active involvement of all participants. The most frequently applied methods are therefore: role-plays, simulations, case studies etc.

In accordance with the aforesaid, the HRM function is divided functionally among the state authorities as follows:

a) the HRMA, which performs some of the most important horizontal, i.e. common functions in this process and

b) the other state administration authorities, which perform certain concrete human resources management procedures, being all those activities that do not fall under the direct competence of the Human Resources Management Authority.

Each state authority is thus responsible for human resources management procedures with respect to their civil servants and state employees in issues that are not in the direct competence of the HRMA.

---

114 In the Montenegrin civil service system, the civil servants and state employees have the right to professional development, which is, at the same time, perceived as their duty, if the process of work requires so.
Assessment of the labour market in Montenegro

Considering the specific activities of the HRMA, particular accent is laid on the establishment of cooperation with institutions which can provide expert and technical support to build up the capacity of this state authority to operate in an ultimately effective and efficient manner. In this context, the HRMA maintains intensive contacts with all state administration authorities in Montenegro and with international organizations and institutions that are active in Montenegro.

With a view to establishing effective cooperation with the state administration authorities of Montenegro, the HRMA is currently implementing a number of seminars and round tables with the contact persons appointed by the above mentioned state authorities, which has been foreseen in the activity plan of the HRMA. The aim of these activities is to facilitate effective cooperation between the HRMA and the state authorities by informing the contact persons with the functions and tasks of the HRMA, planned activities of this state authority, its procedures and the expected inputs by the contact persons.

In the recent period, the HRMA has conducted a number of meetings with potential donors, i.e. international organizations which are active in Montenegro and which provide expert and financial support to the implementation of the public administration reform in Montenegro.

In this context, the cooperation with the following institutions has been intensified: European Agency for Reconstruction – EAR, Organization for Security and Cooperation in Europe – OSCE, the World Bank, Foundation Open Society Institute – Office in Podgorica, United Nations Development Program – UNDP, Konrad-Adenauer Stiftung, Embassy of the Greek Republic, Ecole Nationale d'Administration – ENA, USAID/CHECCHI Company Consulting Inc.

2.10 Confederation of Trade Unions of Montenegro (SSSCG)\textsuperscript{115}

Organizational Structure of the \textit{Confederation of Trade Unions of Montenegro} at the level of the Montenegrin municipality consists of 21 trade union of the Municipal Commissions. Through the Municipal Commissions, Confederation of Trade Unions of Montenegro implement own ideas, policies and activities all with the view to make communication and contact of workers and enterprises from Montenegro's municipalities as directly as possible through this type of union organizing. In this way Confederation of Trade Unions of Montenegro is able to better examine the socio-economic and social situation of workers from some of Montenegrin enterprises and municipalities and through a whole set of legal measures to solve existing problems.

\textsuperscript{115} \textit{SSSCG} is acronym in Montenegrin language meaning \textit{Savez samostalnih sindikata Crne Gore}.
2.11 Union of Free Trade Unions

Union of Free Trade Unions was formed out of the Confederation of Trade Unions of Montenegro. During 2002-2006 mandates, majority of trade unionists expressed their great dissatisfaction with the CTUM leadership. CTUM was blamed for not representing trade unionists’ interests especially in privatization process and in passing reform laws: Labor; Health Insurance; Social Security; Pension; Strike, etc.

Revolted, a certain number of branch trade unions and large trade unions with their 25,000 members (which makes majority out of total number of unionists), according to their rights initiated organizing Extraordinary XIII Congress of CTUM in April 2007 in order to elect new, legitimate entities of CTUM. Trade Unions of Education, University, Metal Industry, Telecom, Trade, Firefighters, Municipality trustees of Podgorica and Niksic, and majority membership of Trade Unions of Health, Railways, Finance, etc. initiated organizing the Extraordinary Congress.

Some of the activities covered by the Union of Free Trade Unions (UFTU) are different initiatives such as:

- The initiative to review the constitutionality and legality of the Agreement on determination of the accounting value of the coefficient and the starting salary in the gross amounts;
- The initiative to review the legality of the General Collective Agreement regarding the amendments to the General Collective Agreement;

Also, UFTU proposed to Social Council the conclusions concerning the establishment of retail prices of petroleum products and electricity, and the movement of prices of these products in relation to the financial power of citizens. These and similar activities were carried out also by CTUM. However, the representatives of the UFTU believe that these activities were not carried in an appropriate manner by the CTUM, and that they did not promote sufficiently the rights of union members such as the right to: the union solidarity, free legal advice, the use of union funds for recreation, the use of union funds for the solidarity, the cheaper procurement of goods and services, etc. The opinion of the UFTU representatives is that they provide the higher quality of services to the union members.

2.12 Social Council

The tripartite mechanism in Montenegro takes place in the Social Council (created in 2001, formerly Social and Economic Council) which plays a consultative role. The Social Council is state administration organ in charge of labour affairs with the aim of establishing the social dialogues on the issues important for improving economic and social position of the employees and the employers, and their living and working conditions, creating a culture of dialogue, encouraging peaceful settlement of collective labour disputes, based on the Law on the Social Council, adopted in
Assessment of the labour market in Montenegro

December 2007. With the establishment of the Social Council, Montenegro has more quality social dialogue.

The work of Social Council is related to the realization of economic and social positions of employees and employers, and the social and gender policy, employment, labour force development, harmonization with the labour market, privatization and economic competitiveness, international relations and EU accession, equitable regional development and SME support, as well as protection at work, etc.

The Social Council is defined by Government Regulation and consists of several entities and each of them has the same number of representatives, that is 33 members (11 representatives of the Government, 11 representatives of employers and 11 trade union representatives). The recognized representative bodies are the Montenegrin Employers Federation (UPCG, founded 2002, with representative status since 2005) and the Confederation of Trade Unions (SSSCG). Social partners are negotiating collective agreements at general (state), sectoral, and company level as well as measures to cope with mass redundancies. They play an important role in wage setting.

At the time being, Social Council is advocating establishment of the Social Councils at the local level, as well. The logic behind such initiative lays in the fact that Montenegro has developed system of local self-Governments (21) and with very pronounced features of each of them in economic, demographic and other fields. Due to these reasons, there is significant need to have system of social dialogue at the local level, which will take into consideration characteristics of every single municipality.

Formation of Social Councils in remaining local-Governments supported by active and dynamic role of already established ones and with the participation of all partners will create possibilities for better targeting of problems. Additionally, common efforts will lead to the optimal and efficient solution of the problems. There is an opinion that for resolution of problems, existing institutions and legal framework have to be exploited and procedures have to be less time consuming and more efficient. In addition to that, each municipality has to be headed towards valorisation of natural resources and usage of the assistance offered by Investment-Development Fund.

3. ASSESSMENT OF THE ADMINISTRATIVE CAPACITY OF MONTENEGRO TO EFFECTIVELY IMPLEMENT EMPLOYMENT POLICIES

Globalization and the desire to join the EU have set the importance of labour market policies and the efficient conducting of employment measures. All institutions related to the labour market are actively involved in conducting these measures in order to
improve the characteristics of employees, because they provide new insights for greater efficiency and productivity and, thus, strengthen the competitiveness of the economy. In accordance with these processes, it is recognized the importance of education and training of employees. The mission of institutions which work is connected with the processes on the labour market and that is to make an effort to implementation of employment measures in most appropriate way as well as to link labour market and education system in order to ensure that development of an education system can respond to modern trends of life. However, beside the certain capacities, i.e. strengths and opportunities, there are also weaknesses and threats for these institutions which limit their ability to give perfect contribution to the Montenegrin labour market.

3.1 Assessment of the administrative capacity of Ministry of Labour and Social Welfare (MLSW) to effectively implement employment policies

As explained in the previous part of this Chapter, MLSW is a kind of umbrella institution due to the fact that monitors all trends and movements on Montenegrin labour market. On the other hand, its role is very important since it covers issues that influence the quality of life of all citizens of Montenegro. As such, it performs very important activities and holds an important position in the entire hierarchy of ministries in GoM.

One of the concerns regarding future performance of MLSW is related to the amount of the available financial sources determined for its activities. Namely, MLSW is financed from the state budget. Envisaged budget for MLSW is set at the level of €62.60 million and is composed of the following three programs: Centers for Social Work (CSW), Social, War Veterans and Invalid Protection and Administration. Employees in CSWs have the salaries calculated in accordance to the Sectoral Collective Agreement on the Amendments to the Sectoral Collective Agreement for the Health and Social Activity (Official Gazette of Montenegro, No 46/08). It is positive an increase in the overall budget envisaged for this institution from the level of €60,238 in 2010 to the level of €62.60 in 2011. This is an important increase due to the fact that overall public spending in Montenegro for 2011 was reduced and, thus, many state institutions are faced with the declining level of financial sources necessary for their normal functioning. Increase in the case of MLSW leads to the conclusion that GoM has recognized the growing scope of competencies of this Ministry and its significant role in creating Montenegrin both labour market and social security system more stable, secure and efficient in the years to come. However, it up to the MLSW to use these funds as efficient as possible and to allocate them with minimal costs and maximal results. Bearing all this in mind, according to the ISSP assessment, MLSW has enough financial resources to perform all its legal competencies in the following 2011.

It is positive that in 2011 realization of EU grant in the amount of €458.000,00, out of which €350.000,00 from the Twining Contract on the Harmonization of National
Assessment of the labour market in Montenegro

Legislation with the EU Acquis, while the amount of €108.000 is envisaged for the realization of the Contract on the Purchase of Equipment for Transportation and IT.

As far as the human resources within MLSW are concerned, this Ministry has 33 employees at the central level, whose educational attainment is satisfactory and fits into the Regulation of Systematization of the Working Positions within this Ministry. Based on the inputs derived from the experts interviews carried out for the purpose of this Study, majority of employees have attended numerous training and seminars both in the country and abroad in order to supplement their skills and knowledge and also to gain additional competencies and knowledge. They have also attended to the seminars organized by HRMA, which should assist them in the following period especially in terms of making the overall GoM functioning as efficient as possible. In our opinion, the number of 33 employees is sufficient for all future programs this Ministry is expected to deliver. Their salaries are calculated based upon the Law on State Employees Salaries. In addition to that, there is additional part added to the basic salary in the amount of 30% from the level of the salary, all in accordance with the Decision on the Increase of the Salary of State Employees. The overall amount of money determined for the payment of gross salaries for 2011 is set at the level of €1.13 million. The latter serves as a kind of additional incentive for employees in the MLSW to perform better and to deliver their duties and competencies at the high level. As such they are in the function of increasing motivation of employees to be more devoted to their tasks and assignments. Also, as all other employees in the system of public administration in Montenegro, also employees in MLSW receive compensations for the hot meal and holiday and other compensations (total amount of €0.02 million for 2011).

In our opinion, at the very moment MLSW has to improve its monitoring function over the labour market. This means that it has to pressure all institutions it has jurisdiction over to make their activities transparent (in terms of the better flow of information among them as well as in terms of making public much more aware of the opportunities that are offered to them). This is due the fact that only efficient monitoring will improve the possibility of accurate analysis and development of the entire labour market, and contribute to the higher level of cooperation between the relevant institutions. Although is not guarantee for the success, efficient monitoring system is very important for the direction and quality of the labour market reform process in the forthcoming period.

Only under the premise of existence of such a system, main strategic goals and tasks such as timely adaptation of legislation to the current needs, the establishment of intensive and synchronized cooperation among institutions with the aim of achieving overall goals defined in the strategic documents, etc, could be realised in efficient manner. MLSW needs to improve the monitoring of the effects of active employment policies because these effects represent an indicator for further planning of active policies. Monitoring and assessment of these effects of implementation of the measures of ALMPs by the MLSW is still poor, since there is a
Assessment of the labour market in Montenegro

lack of the statistic data for certain effects. Particularly, there is a need for better monitoring of the implementation of existing ALMPs related to vulnerable groups in order to assist to the vulnerable groups with job transitions. This could significantly contribute to the promotion of market efficiency in meeting the current and expected needs for those have difficulty in finding a job, such as youth without work experience, the older unemployed and disabled. The strengthened and improved monitoring by MLSW is therefore needed in order to know the overall impact of ALMPs, i.e. their effectiveness and efficiency.

MLSW should certainly take more care to protect the working conditions of employees, via Labour Inspection and various projects which are related to the protection at work. Also, employees in the Ministry have to be more focused on those programs that lead to the increased labour mobility and, thus, to better efficiency, because all capacities should be used for a creation of better working condition in order to make the system more functional and efficient in removing existing gaps on Montenegrin labour market. Although MLSW makes efforts in this field, better protection of the rights of the employees is needed in order to reduce undeclared work and increase the safety at work. Also, higher level of protection of working conditions by MLSW is needed for the increase of work mobility. This is significant, since labour force in Montenegro is lacking mobility, mainly due to the bad working conditions. If protection of rights would increase, there would be reduced number of persons in the informal labour market, or with poorer working conditions.

Also, the capacity of MLSW (and institutions it has jurisdiction over) must be strengthened in order to monitor the implementation of the Labour Contract, General Act and Act on Risk Estimation, and the introduction of employees with their contents, and consequently, with the rights, measures for protection at work and ways of carrying out them, and particularly rights, obligations and responsibilities of all employees, way of carrying out professional tasks related to protection at work, etc. Better protection of employees’ rights would contribute to the realization of priorities and directions for Montenegro in order to be ready to the competitiveness at the EU market and first of all in order to create safe and favourable working conditions and professional development of domestic workforce.

Additionally, in the coming years and especially in the light of the progressive approaching of Montenegro to the EU, MLSW employees have to cooperate more closely with EU through different projects and programs. Also, all opportunities offered through IPA have to be explored (this is especially related to the Component IV-Strengthening of Human Resources). In the future this could be very important for the development of the labour market in Montenegro, but also for addressing various social issues. So far, employees from MLSW have been involved in project planning and have certain knowledge regarding the entire project cycle and over the recent period have improved their knowledge on the better policy documents drafting. However, these skills and knowledge have to be improved since if they
Assessment of the labour market in Montenegro

remain at the current level they will make both these employees and MLSW less competitive and efficient in delivering outcomes they are devoted to.

Finally, it seems that the activities of the Ministry, although improving, are at a level that requires an additional improvement. Their overall capacities (cooperation with international institutions, project based activities, harmonization of national legislation with Acquis Communautaire in this field, ability to track all drawbacks in the system in much better way, etc) have to be strengthened since the coming processes and requirements from the EU, place this Ministry at the centre of attention in terms of the shapening of the more efficient, more flexible and more transparent labour market in Montenegro.

3.2 Assessment of the administrative capacity of Labour Inspection to effectively implement employment policies

The Labour Inspection employs 38 inspectors who are responsible for monitoring of implementation of the Law on Inspection Control and the Law on Inspection at Work. This Inspection is under jurisdiction of the MLSW. Inspectors at work and protection at work are proportionally divided all over Montenegro and regional equality is achieved in this respect. Their role on the labour market in Montenegro is of importance bearing in mind that their proper functioning lowers the number of death injuries, health damages of workers, discrimination, different kinds of harassments, cases of mobbing, etc.

So far, the activities of the Labour Inspection are satisfactory, both in terms of its repressive function and preventive character. The nature of their direct insight at an institution turned out to be efficient way in proper implementation of many Laws in the areas of labour market.

However, according to the ISSP there is insufficient number of the inspectors at work. This should be of concern since the scope of their work is intended to be broadened along with the expected increase of economic activity, new jobs opening, inflow of FDI, etc. In this respect, expectations about successful tourism seasons have to be highlighted since the work of inspectors is specially burdened during the summer months. As a result, the inspectors of the MLSW are during the tourism season obliged to work in two shifts. Consequently, the burden of the future work definitely requires new inspectors to the employed. On the other hand, the quality of work of current inspectors is satisfactory since they have passed and are constantly passing different kind of trainings organized mainly with relevant international partners. Also, inspectors under jurisdiction of MLSW turned out to be efficient in implementation of the entire set of numerous new Laws that were adopted in the recent period in Montenegro. In our opinion, current Laws provide significant competencies to these inspectors which is an additional argument for the increase in their number in the coming period. Finally, significant feature of the administrative capacity of inspectors in MLSW is related to the well developed collaboration with the colleagues from the other Ministries.
Also, their work is assessed to be very well coordinated. Namely, inspectors have to deliver Report on their work biweekly and monthly with the assessment of the current situation and proposal of measures to the Chief Inspector, while Chief Inspector submits a monthly Report to the Minister for review, and if necessary more frequently. This makes the entire system much more efficient.

Table 3: S.W.O.T. analysis for Montenegrin Ministry of Labour and Social Welfare (MLSW)

<table>
<thead>
<tr>
<th>MINISTRY OF LABOUR AND SOCIAL WELFARE (MLSW)</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• MLSW has jurisdiction over different issues related to labour market (working relations, wages and other benefits, employment, education of adult people, employment of foreigners, work protection, negotiation processes, etc.) which enables this Ministry to be recognized as a major institution and to use its capacities in solving different problems related to those issues;</td>
<td>The main weakness is related to the limited and insufficient budget due to crisis;</td>
<td></td>
</tr>
<tr>
<td>• MLSW is in charge of adoption and implementation of Labour Law and all legislation related to the labour issues. All documents and regulations are in compliance with EU regulations.</td>
<td>Economic stagnation will increase the number of problems (related to labour market and social issues) that MLSW is faced with;</td>
<td></td>
</tr>
<tr>
<td>• MLSW is in charge of establishment and jurisdiction over the different institutions whose activity is directly related to the improvement of labour market performances such as Inspection at Work and Protection at Work, Labour Fund, Agency for Peaceful Resolution of Labour Disputes, etc.</td>
<td>Since MLSW is also involved in the process of education of adult people, the weakness represents the lack of national training centres;</td>
<td></td>
</tr>
<tr>
<td>• MLSW is in charge of monitoring of all the processes on labour market, which contributes to higher efficiency of them;</td>
<td>There is no organized system of lifelong learning;</td>
<td></td>
</tr>
<tr>
<td>• Through its competences, MLSW participates in improvement of employment possibilities;</td>
<td>Additional financial incentives for investment in training, research and development (by sectors) do not exist;</td>
<td></td>
</tr>
<tr>
<td>• MLSW contributes to higher protection at work through the work of the Inspection at</td>
<td>Low level of awareness of employers regarding the benefits of MLSW's investing in human capital;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>There is still low level of social compensations;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decentralization of social services at local level;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional differences still make additional pressure on MLSW.</td>
<td></td>
</tr>
</tbody>
</table>
**Assessment of the labour market in Montenegro**

- *Work and Protection at Work since*, according to the **Law on Inspection Control**, the inspector can control employer without any notice, respecting the obligation of professional secrecy;

- **MLSW**, through the **Labour Fund**, provides money support for unemployed persons who became redundant in closed or transformed companies;

- International cooperation;

- There are centres for vulnerable categories;

- There is regular payment of social compensations by **MLSW**.

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>MLSW</strong> could increase work mobility while protecting working conditions of employees through <strong>Inspection at Work and Protection at Work</strong>;</td>
<td>- If the crisis persists, the funds of <strong>MLSW</strong> will continue to be limited and insufficient because the state budget will be affected by the crisis;</td>
</tr>
<tr>
<td>- Integration in EU could help <strong>MLSW</strong> in further identifying labour market needs and adjust its policies related to this market;</td>
<td>- Possible threat could represent the lack of information on active employment measures;</td>
</tr>
<tr>
<td>- International cooperation could enable <strong>MLSW</strong>'s staff to learn and apply good practice from the regional and EU countries;</td>
<td>- <strong>MLSW</strong>'s programs may not be stimulating for businesses to invest in education;</td>
</tr>
<tr>
<td>- <strong>MLSW</strong> could assist in promotion of enterprises that are socially responsible and, therefore, promote investment in human capital;</td>
<td>- The implementation of planning documents and strategies regarding vulnerable groups may not be adequate in terms of time needed for such implementation;</td>
</tr>
<tr>
<td>- <strong>MLSW</strong> could emphasize and participate in the development of life-long learning and further development of education of people with special needs;</td>
<td></td>
</tr>
<tr>
<td>- Better use of EU funds;</td>
<td></td>
</tr>
</tbody>
</table>

*MLSW* - Montenegro Labour and Social Welfare
There is a space for an increase of awareness among vulnerable categories regarding their rights which could be provided by MLSW.

Source: ISSP assessment

3.3 Assessment of the administrative capacity of EAM to effectively implement employment policies

As already analyzed, the main responsibility for the delivery of both active and passive labour market policy in Montenegro lies with the EAM. The EAM is responsible for all aspects of employment service provision – registering the unemployed, paying unemployment benefits to those who are entitled to, giving advice, guidance and counseling to job seekers, and delivery of active labour market programs.

EAM employs about 339 persons (about 299 women) and majority of them (51%) have University education. Staff education is from this aspect justified also due to the fact that role of the EAM as an umbrella and executive labour market institution is defined in such manner that it does only act as a mediator between employers and job seekers, but also as beneficiary and coordinator of activities involving other public services and private agencies. Relative to the size of the labour force, EAM staffing compares reasonably with that in other countries; if measured relative to the high level of unemployment, however, its staffing is relatively low and its potential workload is relatively very high. In these circumstances, the extent to which the EAM can offer real advice, guidance or employment opportunities to job seekers is limited.

The EAM also faces major challenges in upgrading and strengthening its own premises, equipment, administrative structures and human resources, as well as local offices, including provision of necessary computer hardware and software and an ongoing programme of staff training.

In 2009, €37.340 million was allocated to the budget of EAM. Following that year, its budget was reduced to €32,681 million. For activities in 2011, EAM will be allocated €27.37 million. It can be seen that the EAM budget is decreasing over the years. It is not clear wheather it is positive or not. It seems that private employment agencies are taking hold in certain respect, and thus from the EAM undertake the work, forcing it, thus, to redirect own activities more on staff training and development projects. Over the recent period, EAM budget has seen an increasing share of passive measures (46.5% budgeted for 2010), a constant share for active measures (excluding micro-credits amounted to approximately 0.3% of GDP)) and a decreasing share for management and administration. Lowering of the investments into human resources might endanger EAM staff capacities in the coming years.
Assessment of the labour market in Montenegro

The EAM is not equipped for more complex programs targeted for hard to employ persons, whether they serve to education or rehabilitation purpose, nor for the programs for psychological, social and motivational support, neither is justified to assign this role to the EAM. The same as in EU countries, the EAM should initiate and provide support to establishment of specialized organizations. These organizations would in their activities also include provision of such services for persons directed by the EAM, employers and other organizations or the persons who are funding the inclusion in certain programs. It virtually means that the EAM shall have the obligation to educate staff in organizations to be involved in training programs for employment of hard to employ persons.

ISSP identified that only 1/3 of genuinely unemployed seek for the new employment via assistance of EAM. This is problematic and calls for further improvement of the efficiency and impact of EAM services. A more quality and efficient role of the EAM in labour market imposes the need for permanent professional improvement in applying new methodological approaches in work, modernizing and installing uniform IT system and registers in order to provide an adequate IT basis for timely and systematic analytical monitoring in this field.

However, the capacities of EAM are much larger than those of small private agencies. Therefore, private employment agencies are just there to improve and create more efficient market. There is also a space for creation of the new projects that would bring the new jobs and all this would affect the efficiency of the entire system.

The existing organizational structure of departments, units and work processes in the EAM is cost-efficient in conducting of activities. Due to that, according to ISSP, it is not necessary to involve large changes in the organizational structure.

The most critical starting point for EAM must be the review of the system of unemployment compensation/registration, including the way it interacts with the tax and contribution system. Taken in combination, these systems on the one hand depress the level of employment, thereby raising unemployment. On the other hand, they also force both inactive people, and people working in anything other than “regular” jobs (such as the self-employed), to register as unemployed if they are to retain access to important social services. This pressures the EAM with a large number of totally inappropriate clients, effectively reducing its ability to deliver the type of services and activation supports it should be providing to the core unemployed. The proper review will free up resources in the EAM to be devoted to a more active approach with its remaining clients. This active approach should take the form primarily of promoting and monitoring active job-search among targeted groups of registrants. Initially, the main target group should be those in receipt of unemployment benefit, for whom the requirement to be actively seeking work is not in practice enforced at present.
In addition, the EAM should work with the CSW to identify more precisely all social assistance recipients whose receipt of assistance is (or should be) conditional on their being available for and seeking work.

At the same time, there will be little point in developing an active approach in the EAM, designed to encourage the unemployed and inactive to take up formal jobs and to be flexible in considering part-time and other forms of employment, if at the same time other aspects of Government intervention in the economy are actively discouraging the creation of employment opportunities.

Finally, EAM has to improve ability of its staff to deal with discrimination in employment.

Table 4: S.W.O.T. analysis for Employment Agency of Montenegro (EAM)

<table>
<thead>
<tr>
<th>EMPLOYMENT AGENCY OF MONTENEGRO (EAM)</th>
<th>STRONGS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
</table>
| **STRENGTHS** | • EAM is a state institution in charge of labor market, which contributes to recognition of this institution as a leader in conducting employment policies and one of the main actors on Montenegrin labour market;  
• EAM is actively involved in consultations regarding creation and adoption of all legislation related to the labour market;  
• EAM has a significant budget which helps in conducting different activities related to improvement of overall situation on labour market  
• EAM has large database of clients;  
• EAM’s staff are well educated with professional attitude and experience;  
• EAM has bureaus in all municipalities which makes easier communication with unemployed persons and enables better insight in the current situation;  
• Cooperation with other public institutions which are dealing with the issues related to the labour market; | • EAM is funded from the state budget and is faced with limited budget due to the crisis;  
• Still low level of information flow with institutions related to labour market (Chamber of Commerce, Centre for Vocational Education, etc.);  
• Increasing number of unemployed registered in EAM as the result of crisis;  
• Too many changes of Laws;  
• Lack of skilled labour contributes to inappropriate relation between labour supply and labour demand on Montenegrin labour market, and hence, the work of EAM is more difficult;  
• No partnerships for investment in trainings;  
• A lack of organizations which can offer high quality trainings;  
• There is a lack of lecturers and |
### Assessment of the labour market in Montenegro

- **EAM** has a good connections with potential employers;
- Possibility of realization of projects related to labour market, such as trainings, seminars, new qualifications, etc.;
- **EAM**’s database enables it to identify the vacant occupations and to carry out projects related to vocational training for those occupations.

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rise of economic activity in Montenegro would make easier to <strong>EAM</strong> to find jobs for interested parties and improve the general situation on labour market;</td>
<td>• The main threat is related to the possible continuation of the economic crisis in Montenegro, which would have negative impact on the <strong>EAM</strong>’s ability to reduce the level of unemployment;</td>
</tr>
<tr>
<td>• There is a space for new projects related to employment policy, such as trainings for certain occupations that would be needed in case of building high-way through Montenegro;</td>
<td>• There is a threat that funds will continue to be limited and insufficient;</td>
</tr>
<tr>
<td>• Participation in new National Employment Strategy;</td>
<td>• There is a threat that highly skilled labour and people trained by EAM will leave and look for better paid jobs abroad.</td>
</tr>
<tr>
<td>• Improved competition through the existence of private employment agencies could contribute to additional efforts of <strong>EAM</strong> in conducting employment policies which would increase <strong>EAM</strong>’s efficiency;</td>
<td></td>
</tr>
<tr>
<td>• Organizational capacities of <strong>EAM</strong> are much higher than capacities of private employment agencies and they provide a space for further improvement of efficiency;</td>
<td></td>
</tr>
<tr>
<td>• Focusing on “green jobs” and organizing trainings for related occupations.</td>
<td></td>
</tr>
<tr>
<td>• Through new trainings <strong>EAM</strong> could be the essential intermediary that improves the</td>
<td></td>
</tr>
</tbody>
</table>

instructors.
Assessment of the labour market in Montenegro

| flexibility and efficiency of the labour market. |

Source: ISSP assessment

3.4 Assessment of the administrative capacity of private employment agencies to effectively implement employment policies

Private employment agencies do not finance their activities from the state budget and are, hence, in the need to struggle in order to ensure proper level of financial sources necessary for their activities. With limited both financial and specialized human resources they cannot be among major players in pursuing employment policies in Montenegro. However, their existence is positive since they can contribute to the decrease of the overall unemployment and the better match between labour supply and labour demand via better organized databases. Namely, their databases are easier to use and, thus, contribute to greater efficiency of their activities. Private employment agencies in the future should focus on creating a network of smaller agencies that would be specialized for different types of jobs. This would lead to the more efficiency and an increase in the overall employment in Montenegro.

Table 5: S.W.O.T. analysis for private employment agencies in Montenegro

<table>
<thead>
<tr>
<th>PRIVATE EMPLOYMENT AGENCIES</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Private employment agencies have greater dedication to work with clients;</td>
<td>• Private employment agencies are financed by private funds that are limited and not enough in order to provide better conducting of employment policies;</td>
</tr>
<tr>
<td>• Private employment agencies are needed because they contribute to work security in the labour market;</td>
<td>• Reduction in the number of total jobs available in Montenegro (due to the economic crisis) limits the space for further improvement of activities of private employment agencies;</td>
</tr>
<tr>
<td>• Private employment agencies have a precise database (private agencies update their database on short term basis);</td>
<td>• Private employment agencies in Montenegro still have small organizational capacities.</td>
</tr>
<tr>
<td>• Connecting employers with preferred employees;</td>
<td></td>
</tr>
<tr>
<td>• Cooperation with different companies in different sectors (such as with the most famous hotels in Montenegro - tourism sector);</td>
<td></td>
</tr>
<tr>
<td>• Private employment agencies assist in</td>
<td></td>
</tr>
</tbody>
</table>
### Assessment of the labour market in Montenegro

- Improvement of personnel structure in domestic companies and provide professional work for the citizens of Montenegro;
- Promotion activity of private employment agencies;
- Private employment agencies organize trainings of business skills and different seminars related to required skills;
- Private employment agencies provide direct connection of labour demand and labour supply by organizing labour exchange.

### Opportunities

<table>
<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The new <em>Employment Strategy</em> that should be created and adopted for the period 2011 onward could contribute to higher involvement of private employment agencies in increasing employment;</td>
<td>Possible reduction in the interest of clients;</td>
</tr>
<tr>
<td>Focus on smaller, but better organized database of those who really search for a job could contribute to higher efficiency;</td>
<td>Continuation of the crisis would present a threat because it could have negative impact on companies that are main co-operators of these agencies;</td>
</tr>
<tr>
<td>Private employment agencies could act more as human capital managers (more than simple manpower suppliers) and, therefore, play significant role as new intermediaries in the recruitment and management of both qualified and unqualified staff.</td>
<td>Limited sources (especially during crisis) could cause the inability to organize events that could contribute to higher employment and higher efficiency of the private employment agencies.</td>
</tr>
</tbody>
</table>

*Source: ISSP assessment*

### 3.5 Assessment of the administrative capacity of institutions linking labour market and education system to effectively implement employment policies
Institutions which link education system and labor market play an important role in the development of Montenegro. The decentralized control of the internal pedagogical processes in Montenegro encourages adaptation of curricula that might increase response to the local needs for education and training. The most important institutions that connect education and labor market in Montenegro are Ministry for Education and Science and Centre for Vocational Education. Centre for Vocational Education is a public institution established in 2003 by the Government of Montenegro, Employment Agency of Montenegro, the Montenegrin Chamber of Commerce and Confederation of Trade Unions of Montenegro. Centre for Vocational Education has made a significant step in the reform of vocational education, through the introduction of new educational profiles, equipping of schools, offices and workshops for practical training, various forms of trainings for teachers, development of new textbooks, etc.

In such a situation it seems crucial for these institutions to act pro-actively as much as possible.

The more the dilemmas of the Ministry's sector are solved and developed through coherent institutional and policy arrangements, the more the Ministry can influence and create a favorable environment for the implementation of its Strategies. Centre for Vocational Education, the relevant ministries and institutions of social partnership take on responsibilities relating to the segment of improvement vocational education and adult education, allowing the establishment of stronger ties between the education and the labour. The substantial efforts in the reform of the education sector is expected to have a major impact on the conditions on the labour market, but significant effects and outcomes in terms of learning relevant for the labour market are still to come.

However, in order to have better connection with the labour market and its needs, support of development of institutional capacity in the MES and Centre for Vocational Education to manage VET reform and to take forward results from VET reform projects and new activities in a sustainable, ongoing and inclusive process of social dialogue and effective consultation, is of critical importance.

MES has the overall administration composed of 70 employees, while the Centre for Vocational Education has 20 employees, whose salaries are calculated in accordance to the Law on Salaries of the State Employees. The systematization for the Centre for Vocational Education anticipated hiring 29 employees, which was not achieved due to the lack of funds. Salaries of teachers and professors are calculated in accordance to the Sectoral Collective Agreement for Education (Official Gazette of Montenegro, No 04/07 from 16/11/2007). From the point of view of this Study, all institutions that are in charge of linking education system with the labour market are well equipped in terms of the proper human resources.
Assessment of the labour market in Montenegro

There are additional, specific needs to empower the MES through institutional capacity building to be able to take forward new VET policies. According to the ISSP, there is limited institutional capacity (in terms of expertise and availability of institutions) at central level to provide professional support to schools in the implementation of the reform. The Ministry urgently needs a sharper division between policy and operations and considerable support to build up administrative capacity. Consequently, a considerable challenge for Montenegro is the weak embeddedness of VET reform elements in existing national institutions. VET policy must therefore have a high priority. Beside this internal risk factor, the external one is related to the evidence of limited resources made available by both the central budget and from the social partners for the improvement of VET in Montenegro. The mutual rights and obligations of the founders, in terms of financing the activities of the Centre for Vocational Education are regulated under a specific Contract on funding. Still, these funds are not sufficient. Despite the persistent efforts of the Centre to raise the question of providing sufficient funds for its activities from the state budget, total budget allocated for this institution is limited and insufficient.

It should be noted that to achieve this and similar plans and projects source from EU funds are available. This is precisely the opportunity for easier and more efficient progress. All this should create a stronger link between labor market and education system.

*Table 6: S.W.O.T. analysis for institutions linking labour market and education system in Montenegro*

<table>
<thead>
<tr>
<th>INSTITUTIONS LINKING LABOUR MARKET AND EDUCATION SYSTEM</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STRENGTHS</strong></td>
<td></td>
<td><strong>WEAKNESSES</strong></td>
</tr>
<tr>
<td>The expertise of existing staff employed in institutions of education system who pay attention on connection between education and labour market;</td>
<td></td>
<td>Insufficient number of qualified personnel who will design and implement policies and activities related to strengthening connection between education and labour market;</td>
</tr>
<tr>
<td>Cooperation between institutions of education system, <strong>EAM</strong> and other social partners who are directly connected with the labour market;</td>
<td></td>
<td>Lack of awareness at the local level about the importance of linking education and work (interdependence of education policy, labour markets and the strategic development of local self-Government)</td>
</tr>
<tr>
<td>The possibility to cooperate with social partners, employers and individuals in creating and preparing education programs for training, retraining, additional training and professional development of (un)employed persons;</td>
<td></td>
<td>The absence of the sector of education in all local Governments and lack of their serious activities in</td>
</tr>
</tbody>
</table>
### Assessment of the labour market in Montenegro

- Well-equipped schools and licensed professional organizers who offer adult education programs leading to occupations;
- Territorial connection of key institutions of the education system and institutions that are directly related to the labour market;
- Joint participation of representatives of education institutions and institutions related to labour in creating and implementing an educational policy that is geared towards the labour market;
- Affiliation with the institutions from the region and the application of good practices.

- Inadequate spending of existing allocated resources dedicated to education for work purposes;
- Insufficient spreading and uniformity of educational opportunities provided by the licensed organizers of an adult education (i.e. the Central region is at a satisfactory level, the less developed offer exists in Southern region, while the education offer is very badly distributed in the Northern region);
- Lack of research, especially in adult education related to: the education needs, the education offer, the level of functional literacy, the level of development of key competencies, the compliance between education opportunities and labour market needs, etc.).

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Successful adoption and implementation of new legislation (for instance, the Law on National Vocational Qualifications, the Law on Montenegrin Qualification Framework) and the amendments to existing (the Law on Vocational Education, the Law on Adult Education) which have a large impact on linking education and work;</td>
<td>- Existing crisis affects the decrease of budget designed to education for employment needs for all categories of population;</td>
</tr>
<tr>
<td>- New challenges and competition in the labour market that require continuing professional development of (un)employed as well as employed persons in institutions that connect education and labour;</td>
<td>- There is a lack of legal norms (suggestion of employers, local Governments, etc). There could be better allocation of sources for education and learning of employees and those seeking for employment;</td>
</tr>
<tr>
<td></td>
<td>- Possible insufficient trust of employers in the institutions of education system;</td>
</tr>
</tbody>
</table>
Assessment of the labour market in Montenegro

- The development of technology that produces new jobs and needs for training for these occupations;
- The availability of certain EU funds can be used to achieve a stronger connection between education and labour.

Decreasing trend in the number of students studying directly for labour market (crafts).

Source: ISSP assessment

3.6 Assessment of the administrative capacity of institutions representing employers to effectively implement employment policies

Over the period of their existence in Montenegro, both Union of Employers and MBA have significantly contributed to an increased and improved level of social dialogue. Also, they have made certain progress in promotion and protection of the interests of employers and entrepreneurs in dealing with the Trade unions, the Government and other administrative bodies at national and local level.

Hence, it has turned out that they represent bodies whose voice is heard and respected on Montenegrin labour market. This is logical, since both organizations gather companies that employ significant proportion of Montenegrin labour force and significantly contribute to GDP.

The existence of such organizations is a step forward in reaching desirable information for any investor who wants to operate in Montenegro. So far, they have played their role properly and their actions have improved business environment in Montenegro over the recent period. Having this in mind, in the years to come they will continue to be efficient and constructive players on Montenegrin labour market. In the future we should expect that these associations work more on linking the educational system and the labor market. The two organizations have many members, and they can in a comprehensive way link the labor market and education system and, thus, help in tackling down some of the heating problems Montenegrin labour market is struggling with.

Table 7: S.W.O.T. analysis for institutions representing employers (Union of Employers and Montenegro Business Alliance)

<table>
<thead>
<tr>
<th>INSTITUTIONS REPRESENTING EMPLOYERS (UNION OF EMPLOYERS AND MONTENEGRO BUSINESS ALLIANCE)</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improving conditions for doing business in Montenegro by offering proposals that contribute to the elimination of existing business barriers;</td>
<td>• Decreasing trend in the number of students studying directly for labour market (crafts).</td>
<td>• Economic crisis weakens the position of some members of unions of employers, and consequently the power of these institutions;</td>
</tr>
</tbody>
</table>
Assessment of the labour market in Montenegro

- These institutions are able to protect the interests of employers at national and local level;
- A big number of members (companies) that altogether hold a large capital and employ a lot of workers;
- Members are provided with the free legal services;
- These institutions actively participate in all consultations and negotiations regarding new employment policies and labour legislation;
- Union of Employers is recognized social partner.

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Better linkage between education and labour market (some of the staff employed in MBA lecture at Universities and adjust their lectures to the real market needs);</td>
<td>- The labour supply may not be adequate to some employers in the future (new technologies);</td>
</tr>
<tr>
<td>- There is opportunity for SMEs to be better protected through these institutions than independently, especially during the crisis;</td>
<td>- Possible change of favourable fiscal policy would have negative impact on business in the country.</td>
</tr>
<tr>
<td>- Improving cooperation and exchange of knowledge and good practice with similar institutions from abroad.</td>
<td></td>
</tr>
</tbody>
</table>

Source: ISSP assessment

3.7 Assessment of the administrative capacity of Trade Unions to effectively implement employment policies

In Montenegro, there are two Trade unions: Confederation of Trade Unions of Montenegro and the Union of Free Trade Unions of Montenegro. Unions are there to contribute to the improvement of social dialogue through participation in different
Assessment of the labour market in Montenegro

events related to the labor and social issues. They protect the interests of employees at national and local level. However, in times of crisis trade unions have more work than usual. There is always a fear of violation of collective agreements and then unions are included in an attempt to fix bad situation in the companies. For these reasons, the Trade Unions are always involved in the making of new laws and policies related to labor and social affairs. Therefore they have an important role. Trade Unions are familiar with the problems of employees in companies so they can on the best way determine the effectiveness of a Law. Also, in future we should expect improvement of cooperation between Trade Unions with others foreign similar associations in order to gain new experiences in the business.

Adoption of the Law of Representativeness of Trade Unions provided for an increase of competitiveness among Trade Unions in Montenegro. In this way they will be much more devoted to the effectiveness of their activities and the more pronounced fight for the rights of employees. In addition to that, representativeness can always be tested at the request of employer.

Table 8: S.W.O.T. analysis for Trade Unions

<table>
<thead>
<tr>
<th>TRADE UNIONS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRENGTHS</td>
<td></td>
</tr>
<tr>
<td>• Trade Unions contribute to the improvement of social dialogue through participation in different events related to the labour and social issues;</td>
<td>• Trade Unions are faced with additional problems related to the protection of workers from certain companies that face liquidity and other problems as the consequence of crisis;</td>
</tr>
<tr>
<td>• Trade Unions protect the interests of employees at national and local level;</td>
<td>• Inability to negotiate changes regarding the increase of minimum wage during the crisis.</td>
</tr>
<tr>
<td>• Trade Unions have a big number of members;</td>
<td></td>
</tr>
<tr>
<td>• Trade Unions actively participate in all consultations and negotiations regarding new employment policies and labour legislation.</td>
<td></td>
</tr>
<tr>
<td>OPPORTUNITIES</td>
<td>THREATS</td>
</tr>
<tr>
<td>• Trade Unions could contribute to better legislation by pointing to the problems with the existing legislation;</td>
<td>• There is a threat that General Collective Agreement would not be respected by some employers, especially in times of crisis;</td>
</tr>
<tr>
<td>• Improvement of cooperation with similar associations in the region and EU.</td>
<td>• Threat is related to the possibility</td>
</tr>
</tbody>
</table>
3.8 Assessment of the administrative capacity of HRMA to effectively implement employment policies

Although the administrative system is developing, the HRMA in the future must strengthen cooperation with various foundations and institutions which are potential donors and supporters of public administration. In addition to that, HRMA has to open up to the possibility of cooperation with similar institutions from abroad. In this way is possible to gain new experiences and practices that can improve the operations of HRMA. Process of integration into the EU is opening the new perspectives for this organization opens. From this point, the future activities of the HRMA will be focused primarily on upgrading the existing institutional and legal system and its alignment with existing standards and regulations of major international institutions (EU, Council of Europe, the United Nations, OSCE, etc.).

HRMA has 25 employees and their salaries are calculated in accordance to the Law on Calculation of Salaries of State Employees and Decision on the Increase of Salary of State Employees for Realization of Certain Tasks. The overall budget for 2010 is set at the level of €1.04 million for the two programs: Registration, Election and Training of Human Resources and Administration.

In the coming period this institution has to play important role in terms of increasing the level of professionalism among employees in the public administration, leading to the increased quality of the administrative capacities in our country. Hence, an important part of its budget for 2011 is envisaged for professional training of its employees.

It is believed that HRMA capacities will be improved via proper functioning of the newly opened Regional Scholl for Public Administration in municipality of Danilovgrad.

Also, with the envisaged continuation of training for employees in the bodies of local self-Governments, the role of this institution is expected to be played in an efficient way.

Table 9: S.W.O.T. analysis for HRMA

<table>
<thead>
<tr>
<th>THE HUMAN RESOURCES MANAGEMENT AUTHORITY (HRMA)</th>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• HRMA contributes to development of</td>
<td>• Since the HRMA is state authority, it</td>
<td></td>
</tr>
</tbody>
</table>
Assessment of the labour market in Montenegro

Human resources in Montenegrin state administration authorities in accordance with the principal European standards;

- HRMA participates in successful implementation of Public administration reform in Montenegro;
- HRMA increases the professional capacity of the public administration;
- HRMA established an appropriate civil service training system through different programs such as Training Program for Civil Servants and State Employees;
- Organization of seminars and round tables related to the development of human resources;
- Established cooperation with different international organizations.

Is financed from state budget, and faces limited financial sources;

- Insufficient sources assigned to the expenses of expert training of civil servants and state employees;
- Lack of private funds for investments into human capital makes the work of HRMA more difficult.

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- There is opportunity for employed in public administration to develop their professional competence in accordance with the Training Program for Civil Servants and State Employees;</td>
<td>- Reduced budget in following years;</td>
</tr>
<tr>
<td>- HRMA could intensify the cooperation with different foundations and institutions that are potential donors and supporters of public administration reform;</td>
<td>- Brain drain;</td>
</tr>
<tr>
<td>- The process of EU integration could open new possibilities for cooperation and exchange of experiences and good practices.</td>
<td>- There may not exist financial incentives for investment in training;</td>
</tr>
<tr>
<td></td>
<td>- Possible lack of institutions which can provide expert and technical support to build up the capacity of this state authority to operate in an ultimately effective and efficient manner.</td>
</tr>
</tbody>
</table>

Source: ISSP assessment
Assessment of the labour market in Montenegro

4. CONCLUSIONS

There are two key institutions, which have central role in labour market in Montenegro: Ministry of Labour and Social Welfare and Employment Agency of Montenegro (EAM) with branch units. These institutions are in charge of the employment policy and achievement of the right to labour. Ministry of Labour and Social Welfare (MLSW) is Government Ministry which regulates labour market and is in charge of the labour legislation policy. Through its Department for Employment and Labour Market, is in touch with the EAM. On the other hand, Department for Labour Relations of EAM is responsible for legal aspects in the labour market. EAM is pursuing own influence on the labour market in Montenegro via implementation of the Law on Employment and Professional Rehabilitation of the Disabled Persons, other labour regulations, regulations of the health, pension and disabled persons insurance, etc. The main role of the EAM is to intermediate in employment process. Beside EAM, very important role in a labour market of Montenegro is held by private agencies for employment – Marmil and Career Team.

There are relatively new institutions on the Montenegrin scene, so we still cannot on the right way determine their effectiveness. They are Labour Fund and Agency for Peaceful Resolution of Labour Disputes. The Labour Fund plays the leading role in the protection of employees in case of bankruptcy and restructuring companies. Establishment of Agency for Peaceful Resolution of Labor Disputes is a step forward in improving corporate relations.

As far as the unions of employers are concerned, Montenegro has two such organizations: Union of Employers and Montenegro Business Alliance (MBA). Also, Montenegro has two Trade Unions: Confederation of Trade Unions and Union of Free Trade Unions.

Institutions linking labour market and education system are the following: Ministry of Education and Science, Vocational Education and Training Centre, Council for Vocational Education, Council for Adult Education, Examination Centre. All institutions are regulated by the General Law on Education. The tripartite mechanism in Montenegro takes place in the Social Council (created in 2001, formerly Social and Economic Council) which plays a consultative role. The Social Council is state administration organ in charge of labour affairs with the aim of establishing the social dialogues on the issues important for improving economic and social position of the employees and the employers, and their living and working conditions, creating a culture of dialogue, encouraging peaceful settlement of collective labour disputes, based on the Law on the Social Council, adopted in December 2007.

Over the recent period, Montenegro has significantly improved institutional framework in the labour market. Namely, so far labour market institutions in Montenegro successfully managed to cope with the rising labour market challenges. However, it is necessary to strengthen the link of those institutions that are in charge of the education issue with the main labour market players, all with the view
Assessment of the labour market in Montenegro

to tackle down the major problems on the Montenegrin labour market and to curb down long term unemployment, female unemployment, unemployment among youth, etc.

All institutions related to the labour market are actively involved in conducting these measures in order to improve the characteristics of employees, because they provide new insights for greater efficiency and productivity and, thus, strengthen the competitiveness of the economy. In accordance with these processes, it is recognized the importance of education and training of employees. The mission of institutions whose work is connected with the processes on the labour market and that is to make an effort to implementation of employment measures in most appropriate way as well as to link labour market and education system in order to ensure that development of an education system can respond to modern trends of life. However, beside the certain capacities, i.e. strengths and opportunities, there are also weaknesses and threats for these institutions which limit their ability to give perfect contribution to the Montenegrin labour market.

It should be highlighted that EAM seems to have been effectively implemented ALMP programs so far. In addition to that, it is perceived that this institution is accessible to unemployed people. However, this institution needs to improve significantly targeting of ALMPs and pay much better attention to those individuals who are genuinely unemployed and are actively seeking for the new employment. Otherwise, EAM will be faced with the decline in its results and will have lowering contribution to the overall achievements of the Montenegrin labour market.

An improvement in labour market institutions in one country raises its welfare. The same goes for Montenegro. Montenegrin labour market institutions are in direct contact with the citizens and businesses. Therefore they are in a unique position to provide information on workforce/skills demand and supply, and anticipate skills requirements. Furthermore, they can monitor how the labour market is reacting to the crisis. Labour market institutions in particular are in the front line in the times of crisis and have a key role in paving the way towards recovery.

Through the further improvements of labour market policies and institutional capacities, Montenegro will be in position to use numerous financial funds from the EU, especially those related to the European Social Fund. In this context and also having in mind emerging challenges, full and strengthen cooperation among all social partners is more than welcomed. Improvement of social dialogue and enhanced involvement of social partners in the formulation and implementation of social and economic policies would benefit to the every interested party on Montenegrin labour market.

* * *
Assessment of the labour market in Montenegro
CHAPTER IV
Conclusions and future challenges
4.1. Conclusions

The same as in the other states, labour market in Montenegro is affected by a wide range of Government actions, in the fields not only of employment policy, but also of education, social welfare, business regulation, taxation, etc. Therefore, one of the goals of our country in implementing the entire set of labour legislation is to ensure that employment impacts are fully taken into account in the formulation of policy in these other fields. In other words, it is particularly important that employment policies are consistent with and coordinated with the overall economic policy priorities of GoM.

In terms of improving the employment situation and the labour market, it can be said that Montenegro is on the right track. Employment is one of the key priorities of the GoM and numerous policies addressing particular aspects and promotion of better functioning of the labour market are ongoing or in preparation. Within this overall economic policy context, primary responsibility for employment policy in Montenegro rests with the Ministry of Labour and Social Welfare. Ongoing reforms in education and training are closely connected to these objectives.

With the adoption of the new Labour Law in August 2008, Montenegro introduced significant changes in labour relations legislation which have lead to promotion of the more flexible forms of employment, simplified employment and lay-off procedures and also those related to the business organisation restructuring, establishing employees’ responsibilities for violation of work discipline, etc. Effective implementation of the entire labour legislation, however, remains a challenge and requires the development of policies and programmes that translate Law into practice. In other words, the mechanisms for enforcement of Labour Law have to be strengthened.

Also, with the reduction of the overall fiscal burden, the motivation for employment of workers outside the formal economy was reduced. However, grey economy is estimated to be at the level of about 25% jeopardizing, thus, productivity and presenting the unfair competition and challenge for the fight against it. In that respect, it is necessary to strengthen labour inspection considerably and credibly threaten employers with penalties if they hire workers informally.

Montenegro needs to improve functioning of labour market allowing for more flexibility combined with employment security. At the current moment, our labour market is fragmented and segmented in terms of the high regional disparities, gender inequality and mismatch between labour supply and labour demand. In this context, it should be emphasized that the number of long term unemployed persons is at the relatively high level, which has resulted in the increased participation of these individuals in different kind of programs offered, primarily, by EAM.
Assessment of the labour market in Montenegro

The identified problems in this Study call for the introduction of the targeted assistance for persons who need to adjust their competencies and skills to new and modern global market requirements. This is augmented by the fact that there is a lack of skills needs analyses to match VET policy and labour market. Despite the ongoing reforms, the Montenegrin VET system continues to face serious problems in delivering high quality education and in responding to labour market needs. Namely, despite diplomas, high number of unemployed in schools did not acquire practical knowledge. Bearing that in mind, adult learning in Montenegro has to be developed at all levels and lifelong learning has to be recognized as one of the main policy priorities in this field.

Especially, promotion of lifelong learning is indispensable from the viewpoint of maintaining the existing jobs, as well as for raising the quality of new jobs. Namely, in order to improve productivity and promote quality of employment, especially in the case of workers unable to find jobs, except in the informal economy, skills training is of crucial importance. Continued investment in human capital should increase labour productivity and, thus, justify higher wages in the future. The future demand for re-skilling of the labour force will be substantial due to large scale economic restructuring. Accordingly, the new managerial capacities have to be developed for the management of those enterprises but also for their staff.

Also, in Montenegro, among unemployed there is a big interest for starting own business, i.e. entrepreneurship. However, majority of interested individuals still lacks necessary knowledge for running a business.

Over the recent period, Montenegro has started reforms at all levels of education system. The changes have entailed universal approach to quality education, implementation of European standards, system flexibility and decentralization, structured dialogue with social partners and consultations with civil society organisations, horizontal and vertical progression in education and acknowledgement of prior achieved knowledge and life-long learning. Regardless, there is a lot of space for further improvement in this area since current education system still does not match completely with the labour market needs. Certain qualification profiles are deficient on the market. There is evidence that tourism and construction industry are sectors that suffer the most from the lack of qualified labour force supply, because there is a large number of foreign workers in these sectors. Since education system cannot be radically changed on a short run, it is necessary to additionally improve non-formal education system as a kind of supplement to the formal system.

In order to combat the above mentioned, there should be an increased level of social consensus on that. Indeed, over the last couple of years, Montenegro has undergone the process of social dialogue building and strengthening, through improvement of collective negotiating and wage bargaining. As a result of that, many significant positive movements gained momentum. However, the process of EU integration is imposing the new challenges ahead. All labour policy actions in the coming period have to be oriented towards development of sustainable and more
Assessment of the labour market in Montenegro

quality jobs as well as fight against informal economy. Additionally, the special attention should be paid to tackling persistent long-term unemployment and unemployment among young people, as well as reducing the mismatch between labour supply and labour demand.

4.2. Challenges Ahead

As already pointed out, the challenges at the Montenegrin labour market are still huge. They are summarized in the following way:

**Challenges for increasing employment and reducing unemployment:**

- The low level of employment in Montenegro calls for employment and social policies that stimulate aggregate demand.
- In order to combat the long term unemployment, better targeted preventive mechanisms have to be put in place, such as more individualised approach to each single unemployed person with the view to achieve early identification of the needs of unemployed, as well as a more active approach in stimulating inactive individuals to enter the labour market.
- Since the unemployment rate is high among young Montenegrins, it is necessary to have more efficient and strengthened link between entrepreneurs, on the one hand, and Universities and vocational high schools, at the other hand, in order to provide students with practical training during schooling years (apprenticeship, work practice, voluntary work, etc) and companies with the opportunity to select quality individuals at the early stage.
- Continuation of establishment of the network of centres for information and professional counselling in all Montenegrin municipalities.
- Promotion of labour mobility and of removal of obstacles preventing it.
- Improvement of social dialogue and enhanced involvement of social partners in the formulation and implementation of social and economic policies.
- Provision of adequate and comprehensive labour market information.

**Challenges for the improvement of labour market statistics**

- Strengthening national ability to provide timely and reliable labour market statistics, including those relating to the informal economy. It is necessary to adjust and revise current statistical registers as soon as possible in order to enable labour market monitoring and analyzing in line with international standards and indicators. This means that Montenegro has to adopt comprehensive system of labour market statistics fully based upon EUROSTAT methodology. In this way, future policy agenda will be pursued on the basis of the clearly and accurately identified trends.
Assessment of the labour market in Montenegro

and in this way developments in Montenegrin labour will be compared with both countries in the region and EU member states. However, this requires building of administrative capacities in MONSTAT to deliver this knowledge-demanding process in a quality manner and in the near future.

- The EAM should co-operate more closely with MONSTAT on survey methodology so as to achieve optimum comparability and integration of labour market data. Progress in improving the reliability of the labour market information system is of the most importance for the policy-making. Technical capacity of the MONSTAT should be enhanced, as well as the methods in sampling, LFS processing, etc.

**Challenges for the fight against informal economy:**

- Any strategy aimed at reducing the incidence of informal work in total employment must examine and address gender and ethnic patterns of informal work and the underlying causes.
- It is not enough to reduce tax burden in order to fight the informal economy. It is also very important to increase enforcement of tax collection and to strengthen labour inspection.
- The practice of registering as unemployed for the sake of being eligible for social and health insurance should be eliminated.

**Challenges for the fight against mismatch between labour supply and labour demand:**

- In order to have clear picture about mismatch between labour supply and labour demand, comprehensive survey in this area has to be carried out.
- Efforts to ensure that education and training keep pace with changing labour market requirements should be maintained. In achieving that, there should be a broader cooperation among EAM, private employment agencies, schools, training institutions and the social partners. The basic goal has to be ensuring that students are not locked into occupations that may become unwanted by the labour market.
- Employers’ organisations (UoE and MBA) can help identify the most appropriate forms of training for the job opportunities available. They can also help developing links between education and training and working life.
- In order to successfully meet this challenges, the involvement of the social partners in the design and implementation of VET policies and programmes should be strengthened.

**Challenges for the fight against regional disparities in employment:**
Assessment of the labour market in Montenegro

- Promotion of incentives for entrepreneurs in the north of Montenegro and continuation of granting of loans for self-employment, under favourable terms in those areas that are the most frequent at the north, such as wood processing industry, arable land, winter and eco-tourism; and so on.

Challenges for wage policy improvement

- Wage policy should continue to support macroeconomic stability. Future wage increases should be aligned to GDP growth so as to enhance competitiveness, increase employment and reflect an increase in productivity.

- The tax policy reforms should be pursued further and be accompanied by better law enforcement in terms of both tax collection and labour inspection.

Challenges for increasing investments in human capital

- The reform of Montenegrin education system covered all levels of education and training, ranging from pre-school to adult training and lifelong learning. However, certain challenges remain, such as: increasing pre-primary school enrolment, tackling the high illiteracy rates in all RAE and IDP age-groups, and reducing school dropout, especially in the transition from primary to secondary education.

- It is important to build closer collaboration between education and work by promoting arrangements involving schools, training institutions, employment agencies and social partners.

- The GoM should promote learning and training of adults, especially low-skilled workers and long-term unemployed. Skills training is also important for improving productivity.

- Raise awareness among employers about necessity to invest on the long-term basis in human capital. If there is no upgrade of employees qualifications, Montenegrin companies won’t be competitive in the light of future EU accession and entering at the common EU market.

- Establishment of an enrolment policy system that will generate human resources suitable not only for the immediate and current labour market needs, but also for the long-term needs of the labour market.

- The following years will have to see the need of provision of additional public and private funds for investment into development of HR.

Challenges for the equal gender opportunities

- Women's participation in vocational and skills trainings in 2009 was 63.3%. Implementation of education and training programmes with higher participation of women, aiming at increasing their employment opportunities in those sectors where
Assessment of the labour market in Montenegro

they are less represented, have to be put into the place. This is especially related to the campaigns that will raise awareness of all in the society about the importance of having women on high managerial positions and positions of senior officials, as well as on the high positions in the Government and Parliament.

- From 2006 until the end of November 2010, 37% of loans for self employment were granted to women, worth 7.9 million Euros. However, women in Montenegro have to be assisted in their start-ups via the activities of micro-credit institutions, banks and other (non)traditional means of provision of financial sources.

- Improving and developing a network of public and private institutions for childcare, in order to increase the percentage of children included in the childcare system, until they reach the school age. This will serve as a kind of support to the greater involvement of the women at the labour market.

- It is crucial to ensure a gender-sensitive education and training system at all levels. Gender stereotyping, which encourages young women to train in traditional occupations and prevents them from taking part in training programmes that could lead them to higher long-term earnings and better quality jobs should be avoided.

**Challenges for the inclusion of vulnerable groups:**

- Improve access to education for vulnerable persons and enable them to achieve higher level of knowledge and professional skills through various education programs.

- Continue with the activities on raising awareness of low employability of persons with disabilities.

- Boost social partnership in the field of integration of vulnerable groups on the labour market.

- Assisting the establishment of specialised agencies, which will assist vulnerable groups in finding employment.

- Development of targeted educational programmes for all vulnerable groups, along with training of teachers.

- Stimulate RAE population to take part in active employment policy measures.

- Strengthen cooperation between employers and EAM with the aim of defining jobs that can be performed by vulnerable groups.

- Creating conditions that would enable physical access (removal of architectural barriers) for these persons to all institutions and organisations.
Assessment of the labour market in Montenegro

- Launch awareness-raising anti-discrimination campaigns and involvement of the private sector in initiatives to open up employment opportunities for vulnerable groups.

**Challenges for the improvement of ALMPs:**

- In ISSP opinion, ALMPs in Montenegro have to be more targeted, designed to respond to labour market requirements, as well as linked with work experience. In such a way they will be more successful at reducing labour market imperfections and addressing the inequalities of vulnerable at the labour market. In other words, the reform of employment services should continue.

- In the coming period EAM has to work more closely and efficiently with clients who are at a disadvantage in the labour market. This, however, requires, putting of the monitoring system with clear indicators and staff training programmes in working with “hard-to-employ” jobseekers, in place. This is especially related to those who are socially excluded (e.g. the RAE and IDPs).

- Preventive role of EAM has to be strengthened and this institution has to be involved at an early stage in the event of redundancies.

- The EAM should also seek feedback from partner employers regarding their level of satisfaction with the services provided.

- All social partners have to be involved in the process of design, monitoring and evaluation of employment services and programmes.

- Strengthening of existing individual approach for each unemployed person in the early stages of unemployment, as well as a more active approach in encouraging inactive persons for entering labour market.

- In order to promote gender equality in the labour market, it is crucial to improve women’s access to ALMPs. It is also important to tailor programmes to the needs of disadvantaged and vulnerable groups, such as people with disabilities, the RAE and other ethnic minorities. Employment-oriented measures of this kind are important to combat social exclusion.

- A sustainable source for financing ALMPs should be ensured, which is based on shared responsibilities between the state budget and contributions from employers and employees.

- Diversification of service providers offering assistance to unemployed people.

**Challenges for the improvement of passive labour market policies:**

- Information on passive labour market policies needs to be developed in order to establish proper links with ALMPs.
The overall structure of unemployment benefit should be revised to combine relatively short duration with an appropriate level of benefit.

Both the low level and low coverage of the benefit increase the poverty risk and may therefore encourage work in the informal economy.

Challenges for fostering entrepreneurship and SME growth:

One of the crucial challenges facing Montenegro in boosting entrepreneurship is the continuation in adjustment and simplification of its legal and regulatory framework for business, enabling faster and cheaper establishment of businesses and self-employment, enabling market access based on minimal requirements.

Competitive SME sector requires urgent development of an entrepreneurial culture, facilitated access to financial resources, development and application of modern business skills in areas such as management, finance and accounting, marketing and human resources development.

Formal education must play a crucial role in the development of necessary skills by providing business concepts and techniques that may be applied and developed in practice. Education at all levels and of all types (both formal, non-formal and informal) has to be in function of building entrepreneurial knowledge, skills, values and culture, boosting innovation, acquiring modern knowledge, lifelong learning, and professional development.

Challenges for resolving the issue of redundancies

Problem of redundancies was mainly resolved through severance payment or through buying the remaining period up to retirement. Issue of redundancies was mainly resolved on the voluntary basis, through application of passive measures. However, it is estimated that there are still many redundant workers in Montenegrin economy. For 2011, EAM envisages amount of €14.50 million for this purpose: net cash compensations, contributions to the Pension and Insurance Fund and contributions to the Health Insurance Fund. The number of the users of the cash compensation (based on the calculation from May 2010) is 13.511, out of which the following:

- Increased cash compensation - 8170 users (net €92.05, gross €114.42)
- Regular cash compensation - 5132 users (net €33.00, gross €41.01)
- Regular cash compensation - 209 users (net €55.00, gross €68.36).

Challenges for raising the level of efficiency and effectiveness of labour market institutions:

Further strengthening of the coordinating role of the MLSW in the field of employment and HRD policy planning, development and monitoring.
Assessment of the labour market in Montenegro

- Modernising and strengthening labour market institutions, particularly the employment services, with the aim to provide better transparency and possibilities for employment and training.

**Challenges for adjusting the education system to the labour market needs**

- The introduction of systems that link education and training with work experience should certainly be continued.

- Promotion of adult learning and training, especially for low-skilled workers and long-term unemployed, and monitoring of the quality and outcomes of public expenditure have to be strengthened.

- Increase of the level of financial resources for investment into adult education. Namely, MES spends only about 0,2% of its budget on this. In that respect, private sector has to be much more involved in this kind of investments.

- Lifelong learning should be a key priority of Montenegro’s education and training policy, if and only if it is set in way that it is accessible to all.

- Training and the education system need to be organised in a way that provides for linking formal with informal learning and ensures access to education, training and the development of key competencies and skills for all. The positive attitude towards learning and training should be encouraged both among the employees and employers.

- Development of wide-profile curricula, which are open to labour market needs.

- Funds (both public and private) for financing of continuous training and learning should be increased and access to assistance in providing advice and information should be expanded.

- While being accessible in urban areas, the access of vocational education has to be improved in rural areas and especially for disabled persons and Roma students.

- Since it was identified that VET students are mostly placed in sectors such as trade, tourism and economics, followed by public health and electrical engineering, the more attention has to be placed upon the following occupations: textile and leather industry, forestry and wood processing and geology, mining and metallurgy, since they are highly needed at the Montenegrin labour market.

- Enhanced partnership between the EAM and the VET authorities and institutions to ensure that training offered is in line with labour market needs.
Challenges for the efficient use of EU funds

- It should be the aim of the GoM to maximise contributions from the available pre-accession EU funds (the IPA programme). The process of developing programmes for the allocation of funds through the IPA programme has to be such to anchor the available EU funds with the mainstream national employment policies and also with a view to the future participation of Montenegro in the coordinated EU employment policies and the EU structural policies (the European Social Fund).

* * *

Assessment of the labour market in Montenegro