



# POLICIES FOR HUMAN CAPITAL DEVELOPMENT MONTENEGRO

AN ETF **TORINO PROCESS**  
ASSESSMENT

## EXECUTIVE SUMMARY



# PREAMBLE

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of the country's human capital development issues and vocational education and training (VET) policy responses in a lifelong learning perspective. It identifies challenges related to education and training policy and practice that hinder the development and use of human capital. It takes stock of these challenges and puts forward recommendations on possible solutions to address them.

These assessments are a key deliverable of the Torino Process, an initiative launched by the ETF in 2010 aimed at providing a periodic review of VET systems and policies in the wider context of human capital development and inclusive economic growth. In providing a high-quality assessment of VET policy from a lifelong learning perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.

For the ETF, human capital development is the provision of support to countries for the creation of lifelong learning systems that provide opportunities and incentives for people to develop their skills, competences, knowledge and attitudes throughout their lives for the sake of employment and realisation of their potential, and as a contribution to prosperous, innovative and inclusive societies.

The purpose of the assessments is to provide a reliable source of information for planning and monitoring national education and training policies for human capital development, as well as for programming and policy dialogue in support of these policies by the European Union and other donors.

The ETF assessments rely on evidence from the countries collected through a standardised reporting template (National Reporting Framework) and a participatory process involving a wide variety of actors with a high degree of ownership by the country. The findings and recommendations of the ETF assessment have been shared and discussed with national authorities and beneficiaries. However, the ETF takes full responsibility for the content of the assessment.

This assessment report starts with a brief description of Montenegro's socioeconomic and strategic context (Chapter 1). It then presents an overview of issues related to the development and use of human capital in the country (Chapter 2), before moving on to an in-depth discussion of problems in this area, which in the view of the ETF require immediate attention, and it formulates specific recommendations (Chapter 3). Chapter 4 provides overall conclusions of the analysis.

The annexes provide additional information: a summary of the recommendations in the report (Annex 1) and an overview of the education and training system of Montenegro (Annex 2). The national Torino Process report compiled by the country itself can be found here:

<https://openspace.etf.europa.eu/trp/torino-process-2018-2020-montenegro-national-report>



# EXECUTIVE SUMMARY

## Context

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of the country's human capital development issues and vocational education and training (VET) policy responses in a lifelong learning perspective. It is based on evidence provided in the national Torino Process report for Montenegro, compiled in 2019 using a standardised reporting template questionnaire (National Reporting Framework) and additional information sources, where relevant.

## Findings on human capital

*Human capital context.* In Montenegro, human capital is both the main asset and a big challenge of this small country that aspires to join the European Union (EU). Montenegro has been undergoing deep economic restructuring since the end of the Republic of Yugoslavia, moving to a service-oriented economy, with an important focus on the tourism sector, making human resources a key pillar for future growth and wealth.

Currently, both the *use* of current human capital and the *formation* of future human capital are raising policy issues. On the one hand, the optimal use of human capital is challenged by an improving but contrasted labour market. On the other hand, the formation of human capital is supported by educational paths that grant access and participation, and pay remarkable attention to social inclusion but still raise quality and efficiency issues.

Montenegrin demographic trends point out an ageing workforce and slow depopulation due to emigration. In parallel, the abovementioned transition of the economy is reshuffling human capital needs, both in quantitative and qualitative terms. Alongside this, the labour market, despite actual improvements, still suffers from lack of job creation and inadequacy of skills available from the education and training system to meet the actual needs of employers. The labour force demand is 2.7 times lower than the supply. The skills mismatch has various explaining factors, including weak soft skills or a lack of regular skills updates, with different impacts depending on people's age or location. These impediments to optimal use of human capital are also linked to the high level of informality, the seasonality of work in some key economic sectors, structural inequities related to workers' age, sex or regional location, and the low responsiveness of the education and training system to fast-changing needs.

This brings about unemployment. Although not bad compared to other South Eastern Europe countries, at 15.2% overall in 2018, this average rate hides large disparities: it is almost double for young people (29.2% for 15- to 24-year-olds); it is more than double for people from the northern region (35.2% unemployment in this region); and the high female inactivity rate (almost half (48.2% in 2018) of 15- to 74-year-old women are inactive) reflects how discouraging the lack of job prospects may be perceived.

As far as the formation of human capital is concerned, challenges are also diversified for this predominantly state-led, school-based education and training system. Historically, the education and training offer is stronger for initial than for continuing and lifelong learning. Access and participation are then relatively well ensured – VET is attended by two-thirds of secondary education students, and early school leavers represent only 5.7% – and inclusion is paid remarkable, sustained attention. The

### 1. Further develop the system for recognition of non-formal and informal learning

- Expand adult education and targeted active labour market measures and ensure adequate state funding

### 2. Further develop dual education

- Improve the transition from school to work.
- Foster the engagement of the private sector.
- Conduct a lessons learned exercise on the dual education pilot with a focus on governance

### 3. Focus on key competences

- Reinforce the development of key competences throughout education, training and employment programmes
- Gain the trust of employers in the quality of future employees.

### 4. Revise the structure of occupations

- Reduce the gap between the structure and volume of labour demand and supply
- Target economic and social needs in the education and training provision

### 5. Develop strategies



### 6. Further develop the system for the sharing of knowledge

- Assess the social partnership implementation
- Introduce the system for VET co-operation

### 7. Review the system

- Carry out capacity building
- Establish institutional framework



### Develop a new national strategy for vocational education

- Ensure a more holistic and results-oriented sector development strategy
- Set up an inter-ministerial and public-private task force to steer the strategy

### Develop a framework for shared governance of VET

- Clarify the roles and responsibilities of partners in policymaking and implementation.
- Introduce new accountability mechanisms
- Address illegal practices

### Build and monitor capacity

- Carry out a sound diagnostic assessment of institutional capacity
- Establish, regularly update and maintain an institutional database

### 8. Review financing mechanisms



- Carry out a spending review
- Discuss ways to diversify sources of funding
- Explore other financing schemes
- Maintain and expand the financing of individual incentives to engage in in-demand occupations



### 9. Institutionalise monitoring and evaluation



- Institutionalise a shared monitoring and evaluation function
- Assess policy progress regularly
- Engage stakeholders.



country's overall level of education is comparable to the EU average, but the insufficient quality of education and training hampers full translation of this into economic productivity, employment and social development. With the exception of various active labour market measures, the adult and lifelong learning sector remains underdeveloped. And efficiency remains uneven.

This overall situation of human capital requires sustained effort towards improving the initial education and training system to better fit labour market needs on the one hand, and to develop lifelong learning and adult education on the other. Beyond, it calls for renewed governance of human capital development policies in order to foster and monitor structural changes.

*Policy responses.* The Government of Montenegro has developed a number of strategic responses to address the abovementioned challenges, including a national strategy for VET 2015-2020. However, in the recent decade, VET reforms have mainly targeted secondary VET (SVET), with less consideration given to post-secondary or continuing VET (CVET). The main driver behind these reform processes, substantially supported by EU pre-accession assistance funds, has been the impetus to develop a VET system able to respond to the labour market needs, mainly by introducing a new approach, based on demand and focusing on learning outcomes, for developing VET standards and modernising teaching processes.

Beyond these content priorities for reform, an important transversal priority is to reach increased cooperation between education and business, including for developing practical work experience, whether in VET or in higher education. The re-introduction of dual education is a promising and major innovation. However, the extent to which this model could be expanded is uncertain, as it requires steady commitment and willingness from both companies and students. In a country where VET is commonly considered the main route to pursuing secondary education, as a path to higher education (university), with limited appetite for VET graduates to directly enter the labour market, and where education and training is commonly considered, including by businesses, as the sole responsibility of the state, this system could soon reach its absorption ceiling, or will require a genuine change of mindset (like in many EU countries). The shift to learning outcomes-based curricula and the related revision of curricula and teacher training in cooperation with the companies should introduce more flexibility and responsiveness in the system. Interestingly, the government also uses financing instruments (such as incentives for companies and subsidies for students) as a vehicle for enforcing its policy priorities. However, effectiveness and impact remain to be appraised, especially in a context where reform measures remain scattered (more than 200 co-exist at national level), and the monitoring and evaluation mechanism needs strengthening to fulfil the function of assessing progress and orienting reforms.

As a candidate country aiming for accession to the EU in the 2020s, Montenegro demonstrates serious interest in reaching the European standards in all domains, including human capital, where progress is regularly registered through monitoring of the Economic Reform Programme. Both the 2018 European Commission assessment of the Economic Reform Programme (2018–20) and the annual enlargement package acknowledge that Montenegro is making good progress. But they also call upon the Government of Montenegro to move vocational education and skills development up on the policy agenda.



## Recommendations for action

Based on the above findings, a number of recommendations have been identified. They were successfully submitted to the Torino Process national working group for validation in May 2019 in Podgorica.

The first series of recommendations call for various concrete ways to accelerate current efforts to address the skills mismatch.

- By developing further key competences throughout the education, training and employment system, programmes and tools will help smooth the transition from school or unemployment to work. Inter-institutional cooperation is providing an enabling framework for implementing this recommendation.
- In the short to medium term, setting up a system for the recognition of non-formal and informal learning should help fill occupations which do not attract people with the required skills. More long term, the expansion of adult education provision and the systematisation of targeted active labour market measures combined with social protection should become a national priority, consequently better resourced by the state, given the demographic situation of the country.
- In complement, pursuing the reform of upper secondary education, and in particular the further development of dual education, with a proper mechanism for impact monitoring and evaluation, is a promising way forward to smooth the transition from school to work and foster private sector engagement.
- Maintaining and expanding the financial mechanism of individual incentives to engage in training for in-demand occupations (also sometimes called “shortage occupations”, or “deficit occupations” in Montenegrin terminology), based around modernised learning outcomes-based curricula, is a safe channel to ensure greater youth employability. This could be combined with a priority on the development of dual education in relation to these occupations.

The second series of recommendations focus on reinforcing the so-called ‘policy capacity’, or the institutional arrangements and organisational setting in place to ensure design and implementation of ambitious, coherent and results-oriented reforms of the education and training sector, and more generally of human capital development policies.

- Preparing the ground for a more holistic and results-oriented post-2020 strategy, seizing the opportunity of the new VET strategy requires identification of national strategies and reform efforts with a link to skills development. There is also a need to consolidate the strategies and create a clear vision of skills but also of VET within the education or employment sectors, and to base the future strategy on stronger labour market needs analyses.
- Setting up a multi-stakeholder task force (interministerial and with social partners) around the new VET strategy tasked with its monitoring and evaluation would ensure better horizontal coordination across ministries and close complementarity across strategies, and provide a space to discuss the future division of responsibilities, based on the enabling but under-used existing legal framework.
- Revising the framework, including legal provisions and work processes, for more shared governance of VET, granting more space to decision-making by social partners, giving VET colleges more autonomy, and preparing municipalities to fulfil their future legal competences in this domain will be an important step towards structural change of the policy approach.

- Conducting a sound diagnostic assessment of the capacity state of play, including human resources (organisational audit) and financial resources (spending review and investment needs), would provide the baseline on which to discuss priority needs for institutional capacity building.
- Last but not least, to ensure financial sustainability, which is the concrete evidence of financial capacity, there is an urgent need to diversify the sources of funds and increase the share of non-state resources, and also to explore possibilities to design additional financial schemes that would help enforce the policy priorities.

To sum up, moving to more shared and inclusive governance of the VET policy implementation while keeping the momentum of involving more active social partners appears essential for ensuring structural modernisation of the VET system, where adaptation to changing labour market needs becomes part of the continuous management process, and where companies' contribution to training, for quality and relevance of skills provision, is institutionalised.



The ETF launched the Torino Process in 2010 as a periodical review of vocational education and training (VET) systems in the wider context of human capital development and inclusive economic growth. While providing a quality assessment of VET policy from lifelong learning (LLL) perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.



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