

HOW MIGRATION, HUMAN CAPITAL AND THE LABOUR MARKET INTERACT IN MONTENEGRO

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under the supervision of the Vienna Institute for International Economic Studies (wiiw).

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PREFACE

The countries of the Western Balkans are characterised by declining populations driven by low birth rates, ageing populations and ongoing migration. Emigration from the region has been constant since the 1990s. It has evolved from irregular low- to medium-skilled labour migration to regular family reunification, mobility of international students and, more recently, high-skilled labour migration.

In 2020, the European Training Foundation (ETF) and the Vienna Institute for International Economic Studies (wiiw) launched a regional study entitled ‘Migration dynamics from a human capital perspective in the Western Balkans’. The study’s aim is to shed light on the triangular relationships between human capital formation, labour markets and migration, and to determine how the current functioning of the education system and the labour market affects migration in each country.

This report, which is one of six country reports produced in the context of the study, was drafted by Vojin Golubovic. It is based on a common analytical framework developed by the ETF and wiiw. The study involved an extensive analysis of existing literature and reports. Tools were developed to analyse flow and stock data on Montenegrin migrants using available international statistics.

A separate statistical analysis based on data from the Montenegrin labour force survey (LFS, 2010–19) was conducted using the cohort approach. This analysis was led by the wiiw’s Sandra Leitner who produced the key findings used in this report. In addition, the author of the report interviewed experts from the Central Bank of Montenegro, the Medical Chamber of Montenegro, the Montenegrin Trade Union of Physicians and the Student Business Club at the University of Donja Gorica.

The report benefitted from guidance, comments and extensive discussions with the wiiw team (Michael Landesmann, Hermine Vidovic, Sandra Leitner and Isilda Mara) and the ETF team (Ummuhan Bardak, Cristina Mereuta, Cristiana Burzio, Mariavittoria Garlappi, Mirela Gavoci and Ulrike Damyanovic). The final report was presented on 1 June 2021 in a webinar for the main stakeholders in the country, including representatives of public institutions and civil society, and researchers.

The ETF would like to thank all the institutions and individuals in Montenegro who shared information and opinions on the topic throughout the research and all those attending the ETF’s webinar. In particular, we are grateful to the state statistical office employees who, in accordance with their internal rules, provided access to the LFS data. This report would not have been possible without their contributions.

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KEY MESSAGES

- Montenegro faces both internal and external migration flows. Internal migration is primarily from the northern region towards the central and southern parts of the country (and from rural to urban areas), causing depopulation of municipalities in the north. There are no comprehensive official records of outward migration in Montenegro. Therefore, the information is based on data provided by Eurostat (on migration in European Union (EU) host countries) and reports on migration trends for the entire South Eastern European region (namely the Western Balkans). The emigration of Montenegrin citizens is mainly to EU countries. Germany, Italy and Luxembourg were the most desirable destinations in 2010. By the end of the decade, Croatia and Slovenia had issued the most residence permits to Montenegrin citizens, apart from Germany.
- Residence permits for Montenegrin citizens in EU countries were primarily issued for remunerated activities (Eurostat), particularly in the service sector. However, Montenegro is highly in need of service workers, and imports part of the workforce from its neighbours in the Western Balkan region. This imbalance is a consequence of wage gaps between Montenegro and EU countries. Differences in wages encourage Montenegrin emigrants not just to move seasonally, but also to seek permanent residence in destination countries.
- The high immigration of foreigners into the Montenegrin service sector due to labour shortages represents a major migration concern in the country. This has been noted at governance level. In response, the public employment service (PES) has tried to implement several active labour market and retraining programmes to replace immigrant workers with unemployed and inactive citizens within the country. Such measures should reduce unemployment and inactivity rates, which are among the highest in the region. However, this plan has not been very effective due to low uptake by employers, especially those hiring foreign workers.
- Brain drain concerns are only relevant for specific occupations such as medical doctors. In general, emigration has been skewed towards people with low and medium levels of education. Although official data are lacking, information from the Medical Chamber of Montenegro and the Montenegrin Trade Union of Physicians indicates that around 7% of all doctors emigrated in the past five years. The main reason is better earning opportunities in the healthcare sector abroad. The numbers of emigrants are increasing despite recent wage increases in the sector. Wages still remain much lower than those in destination countries.
- The main push factors for emigration are wage gaps, lack of jobs, skills mismatch and high youth unemployment, that is, overall poor performance of the labour market and the education and training system. Politicisation of society and weak governance are other triggers for migratory movements. Studies such as this are needed to help policymakers target key issues and implement progressive reforms, since the numbers of emigrants has been growing rapidly in recent years. Pull factors include decent jobs, and higher wages and standards of living in the destination country.
- The Covid-19 crisis has reduced the international mobility of Montenegrin students. Consequently, enrolment at national universities registered significant increases in 2020. The crisis has not yet affected those who are legally resident in some EU countries due to the various protection measures they enjoy. Moreover, the crisis has not stopped emigration of the highly educated (especially medical doctors).
- The current pandemic has significantly affected the labour market and labour immigration into the country. Restrictions implemented to stop the spread of the virus resulted in a decline of economic activities. Tourism, which is very important for the country's economy, was the sector most affected by these measures.

- The Strategy for Integrated Migration Management in Montenegro 2017–2020 was the main policy document on migration. The main objectives of this strategy were to align policies with EU legislation, further strengthen the institutional framework and establish a monitoring system for implementing the strategy and action plans. This document includes the Law on Foreigners and the Law on International and Temporary Protection of Foreigners. The 2019 report on the action plan recognised the need to improve coordination, communication and exchange of information between all competent authorities to combat the grey economy in the labour market. The continuation of this legislation is the Strategy on Migration and Reintegration of Returnees in Montenegro 2021–2025 (an aggregate of the Strategy for Integrated Migration Management in Montenegro 2017–2020 and the Strategy for Reintegration of Persons Returned on the Basis of Readmission Agreements 2016–2020).
- The main policy framework for immigration to Montenegro is based on the Law on Foreigners adopted in 2008 and last updated in 2018. This law regulates processes for foreign workers to obtain work and residence permits in Montenegro. It does not favour any occupation or education profile of foreign workers (medium- or high-skilled workers). Instead, it establishes annual quotas for specific economic sectors (not professions). The main goal is to protect the domestic labour force and ensure that Montenegrins have the first chance at available jobs. Recent changes to this law try to balance immigration flows with sector needs. At the same time, procedures and restrictions are eased to attract the foreign labour force. The reforms do not overlook the domestic workforce, but rather focus on protecting it by creating certain criteria for annual quotas on the planned import of labour.
- The labour market needs serious reforms. Reforms should focus on job creation, the type of contracts, remuneration, job quality and the possibility of professional training and development of workers. These factors are important in the tourism sector as it employs the largest number of people and is the main contributor to the country's economy. The nature of employment in this sector – characterised by seasonality, low wages, unpaid overtime and even irregular employment – should change. This would encourage low- and medium-skilled workers to stay in the country. Currently, they represent the largest group in the net emigration.
- Policies on acquiring human capital and skills should be strengthened, particularly outside the formal education system. The education system should focus on tailoring skills to match current and projected demand on the labour market, especially skills where fast gains could be made. In line with the recently adopted Smart Specialisation Strategy of Montenegro 2019–2024, new and continuing vocational education and training (VET) programmes (retraining opportunities for adult workers) are necessary particularly in three priority sectors: sustainable agriculture and the food value chain, energy and sustainable environment, and health tourism.
- The northern region needs investments to increase job creation and support the economic recovery of municipalities that have experienced intensive depopulation. The priority in fighting this negative trend would be to create favourable policies for businesses, investments in infrastructure and incentives for sustainable economic activities that are aligned with the region's resources. Some initiatives have been taken but further efforts are recommended.
- Montenegro needs a comprehensive policy on economic migration and a cross-institutional approach to handling it. To achieve this, a body should be designated to coordinate government institutions that are relevant for migration and non-governmental economic organisations, like chambers of commerce, employers' organisations, trade unions and think tanks.

1. INTRODUCTION

Montenegro has a particular socio-economic profile. It is the smallest Western Balkan country in territory and population size, with a total of 619 800 inhabitants in 2019 (Monstat, 2020). Some of the country's key economic indicators are given below (Table 1.1). The working age population (15–64) totalled 423 600 people in 2019, compared to 436 700 in 2010. Even though the working age population has dropped, other indicators show growth. The country's labour force (employed and unemployed population) has been increasing. It reached 287 200 people in 2019, almost 30 000 more than in 2010. This results from a significant change in the activity rate (15+ years), which grew by 7.3 percentage points over the same period. Moreover, Montenegro had an average gross domestic product (GDP) growth of 4% over the past few years (2015–19), prior to the Covid-19 crisis. The number of people in employment increased by close to 10% during the same period (Monstat, 2019).

TABLE 1.1 MAIN MACROECONOMIC INDICATORS IN MONTENEGRO

	2010	2019	2020, third quarter
Real GDP growth rate (%)	2.5	4.1	-12.4*
Consumer price index (inflation rate) (%)	0.5	0.4	-0.2
Population (thousand)	645.3	619.7	619.8
Working-age population (15–64) (thousand)	436.7	423.6	422.3
Activity rate (population 15+) (%)	50.1	57.4	53.1
Unemployment rate (%)	19.7	15.1	19.0
Youth unemployment rate (%)	45.5	25.2	35.8
Not in education, employment or training (NEET) rate (%)	19.6	17.3	NA
Average monthly gross wages total (EUR)	715.0	773.0	783.0**

Notes: *World Bank estimates, **Monstat estimates

Source: Monstat and World Bank

According to Monstat, the service sector constitutes about 72% of Montenegro's total gross value added. It is followed by industry, including construction (19.9%) and agriculture (8%). In 2019, over 73% of people were employed in services, 19% in industry (including construction) and only 7% in agriculture. Considering economic aspects of migration, the inevitable question is how migration is related to the labour market. Regardless of its main cause, migration certainly contributes to greater labour mobility and changes in the supply–demand relationship in the labour market.

The unemployment rate is one of the main economic drawbacks. It remains high in Montenegro, despite the facts presented in the previous paragraph. Even though it has dropped by 4.6 percentage points since 2010, it is still more than twice as high as the EU average (in 2019: EU – 6.3%, Montenegro – 15.1%; Monstat). Most unemployed people are young, between the ages of 15 and 29. Out of the total labour force from this age group, 39.2% are unemployed (SEE Jobs Gateway

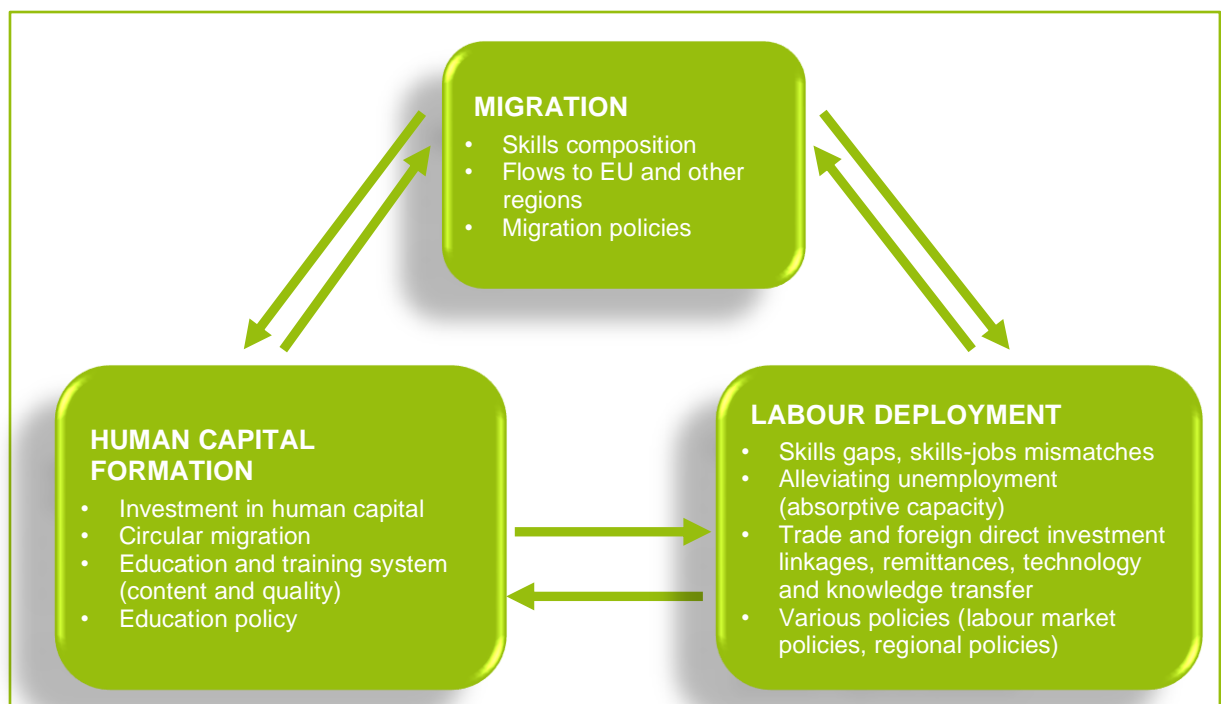
Database). The education profiles of unemployed people show the highest unemployment rate among those with a low education level (24.6%, SEE Jobs Gateway Database).

The topic of migration has attracted increasing attention recently. The number of Montenegrin emigrants to Western European countries is five times higher than ten years ago (Eurostat, 2019). The migration problem has also been noted internally. Some parts of the country such as the northern region are marked by depopulation. All of this threatens the country’s economic stability and possible prosperity.

Apart from the EU, Montenegrin migrants emigrate to Australia, Canada, Switzerland and the USA. However, the numbers are low compared to those for EU countries. These destinations were more popular in the past century. Moreover, recent data on migration to these countries are hard to obtain. The Institute for Employment Research (IAB) database (Brucker et al., 2013) contains information for 2010, but only for Serbian and Montenegrin migrants together. Accordingly, the migrant stock for Serbian and Montenegrin citizens in selected countries was as follows: Australia (55 248), Canada (32 487), Switzerland (90 315), USA (12 154).

Next, we examine the role and impact of migration using the suggested ETF analytical framework, which has been further developed by wiiw (see Figure 1.1). This triangle helps to identify complex interrelations between migration, human capital formation and labour deployment.

FIGURE 1.1 THE TRIANGULAR RELATIONSHIP BETWEEN HUMAN CAPITAL, LABOUR MARKET AND MIGRATION



Source: wiiw

This paper indicates the main migration trends and destination countries, and further explains push and pull factors based on available data. Migration flows are given in relation to the labour market situation and the education system. The aim is to suggest possible reforms and highlight the importance of tracking migration to ensure the country's sustainable development and economic growth. In the context of examining the relation between migration and the labour market, the issue of potential brain drain is discussed. The role of remittances is addressed in the current pandemic situation.

The scarcity of data on migration flows is the main obstacle to proper analysis. Lack of data on external migration flows is still a significant problem for Montenegro. Consequently, we analysed international migration data (from the UN, Eurostat and IAB). We used interviews with representatives of relevant institutions as an additional source of information, especially to assess emigration from the health sector, which was highlighted as the biggest problem. Interviews were also used as a source to assess the impact of circular migration flows of students through work experience programmes.

The study is organised as follows: [Chapter 2](#) presents basic facts on migration trends, such as the main destination countries and push and pull factors of migration based on data from UN statistics and Eurostat. The exceptional role of Germany as the main destination country is discussed. [Chapter 3](#) links migration trends with the development and structural features of the Montenegrin labour market. The findings of a cohort analysis based on the LFS (supplied by Leitner from wiiw; see Leitner, 2021) are presented in this chapter. [Chapter 4](#) investigates human capital and its relationship with migration. [Chapter 5](#) discusses key features in the nexus of migration-human capital-labour market. [Chapter 6](#) discusses the impact of Covid-19, and [Chapter 7](#) contains policy implications and conclusions.

2. BASIC FACTS ON MIGRATION TRENDS AND POLICIES

Migration has persisted throughout history among Montenegrin citizens. Based on UN statistics, the overall stock of Montenegrin emigrants worldwide increased from 148 982 in 2010 to 153 009 in 2019 or by just 4 027 people. There was a slight growth of 5 675 people between 2010 and 2015, but then a drop of 1 648 people up to 2019. Sometimes UN and Eurostat figures are contradictory, although Eurostat only covers EU countries. This confirms the need to collect migration data nationally to obtain a more reliable view of migration flows. However, UN data confirm a significant, consistent ratio of Montenegrin migrant stock worldwide compared its population size, from 24.1% (2010) to 24.6% (2019).

The preference is for EU countries. Germany receives the highest number of Montenegrin immigrants (Table 2.1). Italy and Luxemburg were among the most popular countries besides Germany at the beginning of the decade (in 2010). Preferences had changed by the end of the decade, although Germany remained popular with a dramatic increase in Montenegrin immigrants. In 2019, after Germany, most residence permits were issued for Montenegrins in Croatia and Slovenia. The reason for this change in preferences could be the proximity and cultural similarities of these destination countries. With the accession of Slovenia (2004) and Croatia (2013) to the EU, emigrants did not need to go further west to find better living standards. In addition, these countries are more attractive because all three are former Yugoslav states.

TABLE 2.1 FIRST-TIME PERMITS BY DESTINATION COUNTRY (TOP 10), 2010–19

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU – 27 countries (from 2020)	977	1 092	1 539	1 672	1 623	1 816	2 130	2 332	2 989	3 882
EU – 28 countries (2013–20)	1 072	1 286	1 760	2 041	1 694	1 938	2 205	2 452	3 054	3 882
Germany	213	180	412	513	567	559	869	1 017	1 552	2 019
Croatia	:	:	:	39	41	59	76	104	152	492
Slovenia	61	103	92	77	60	99	95	113	177	208
Luxembourg	120	158	267	265	177	250	245	200	201	199
Sweden	109	125	172	124	135	107	124	151	143	157
France	39	51	91	141	143	123	147	147	124	129
Italy	169	196	206	156	179	180	105	152	137	112
Austria	54	73	72	94	93	120	99	83	82	84
Hungary	1	2	30	47	29	62	36	53	80	68
Belgium	83	56	37	28	23	26	37	55	38	61

Source: Eurostat

The number of people migrating from Montenegro grew strongly over the 2010–19 period. The total number of first-time permits issued by EU countries has almost quadrupled since 2010, which indicates an increase in people's willingness to migrate over time. This was partly reinforced by Germany's favourable migration policies, which will be discussed later in the report.

There is a lack of statistics compiled at national level. Useful information on migration flows and the reasons for migration were presented in a report published by the European Movement in Montenegro (FES, 2016). The report includes two documents: one identifies immigrants from abroad, and the other returning emigrants with Montenegrin nationality. However, the report suggests that the main reason for the lack of information on migrants' profiles is weak cooperation and communication between national and international institutions. As a result, there is no statistical information at national level that can track migration flows. The only sources are international, including the UN and Eurostat.

The Strategy for Integrated Migration Management in Montenegro 2017–2020 was the main policy framework on migration. The objectives of this strategy were to align emigration and immigration policies with EU legislation, strengthen the institutional framework, and establish a monitoring system for implementing the strategy and action plans. Actions were foreseen on the Law on Foreigners and the Law on International and Temporary Protection of Foreigners. The evaluation of the strategy in the 2019 activity report recognised the need for better control of undeclared work among foreign workers, better coordination between the parties involved in implementing the strategy, and easing of procedures to issue work permits. Reducing the grey economy would lower the number of people in the migration-ready population involved in this type of employment and make Montenegro a more attractive destination for international immigrants. The continuation of this legislation is the Strategy on Migration and Reintegration of Returnees in Montenegro 2021–2025 (an aggregate of the Strategy for Integrated Migration Management in Montenegro 2017–2020 and the Strategy for Reintegration of Persons Returned on the Basis of Readmission Agreements 2016–2020).

The main policy framework regulating migrations to Montenegro is based on the Law on Foreigners, adopted in 2008 and last updated in 2018. This law regulates processes for obtaining work and residence permits in Montenegro for foreign workers. It does not favour any occupation/education profile of foreign workers (that is, medium- or high-skilled workers). Instead, it establishes annual quotas for specific economic sectors (not professions). The main goal is to protect the domestic labour force and ensure that Montenegrins have the first chance at available jobs. Recent changes in this law try to balance immigration flows with sector needs. At the same time, procedures and limitations are eased to attract the foreign labour force. The reforms do not overlook the domestic workforce, but rather focus on protecting it by creating certain criteria for annual quotas on the planned import of labour.

In 2019, 27 634 permits for temporary residence and work of foreigners were issued in Montenegro. Of these, 15 582 were given within the quota system and 12 052 were given outside of this system¹.

¹ An 'out of quota' residence and work permit is a specific case that does not fall under the categories included in the quota. A temporary residence and work permit outside the annual quota may be issued to foreign workers in the following cases: people who perform activities in Montenegro based on an international agreement concluded by Montenegro with another state and subject to reciprocity; teach in educational institutions in the language and script of members of minorities; are professional athletes who work in Montenegro in accordance with the law regulating sports; are employed as executive director of a foreign company registered in Montenegro, that is, the executive director of a foreign company that has founded a business registered in Montenegro, a foreigner with a higher education qualification in a managerial position in that company, or a foreign entrepreneur who is self-employed; are employed in a foreign company registered

This is 1 307 or 5% more work permits than in 2018 (26 327). In the quotas for employment of foreigners in 2019, following economic sectors received the most foreign workers (81.4%): construction, hospitality, tourism, trade, agriculture and transport. Considering the cases defined by law in which permits are issued, a high number of those outside the quota system could be due to foreign small and medium-sized enterprises (SMEs) operating in the country. However, no data are available on numbers by types of permits outside of the quota.

The latest Strategy on Migration and Reintegration of Returnees in Montenegro 2021–2025 is planning to update the law. This would enable application of the EU's Blue Card Directive 2009/50/EC on the conditions of entry and residence of third-country nationals for highly qualified employment. The EU directive was incorporated in the previous version of the law but was only to be applied once the EU had been joined. The update of the law indicates new policy priorities, to attract a more qualified workforce.

The nostrification of diplomas acquired abroad is covered by the Law on the Recognition of Foreign Educational Documents and Equalisation of Qualifications. The general criteria implied by this law include whether the institution that issued the diploma is recognised, that is, accredited by the competent authority in the country where it was obtained; the education system in the country where the diploma was obtained; the duration and level of the course, that is, the level of education without comparing the educational or study programme; the authenticity of the document; and other important circumstances to recognise the document for employment or continuing education.

Educational documents issued in the republics of the former Yugoslavia (if they were acquired before the day of international recognition of those republics) and educational documents acquired in the Republic of Serbia (until 25 January 2008) are not subject to the document recognition procedure, in accordance with the provisions of this law. This serves as a favourable policy for regional immigrants who want to enter the Montenegrin labour market.

2.1 Push and pull factors

The motivation for migration is influenced by push and pull factors. As Montenegro does not track its own emigrants and has no official data on them, this section discusses the facts presented in relevant studies and international statistical reports. Some of the most common reasons why Montenegrin emigrants go abroad are the labour market situation, wage gaps and inadequate social infrastructure (see FES, 2016). However, most of the pull factors that are mentioned are better living standards in destination countries, better employment options and an existing diaspora.

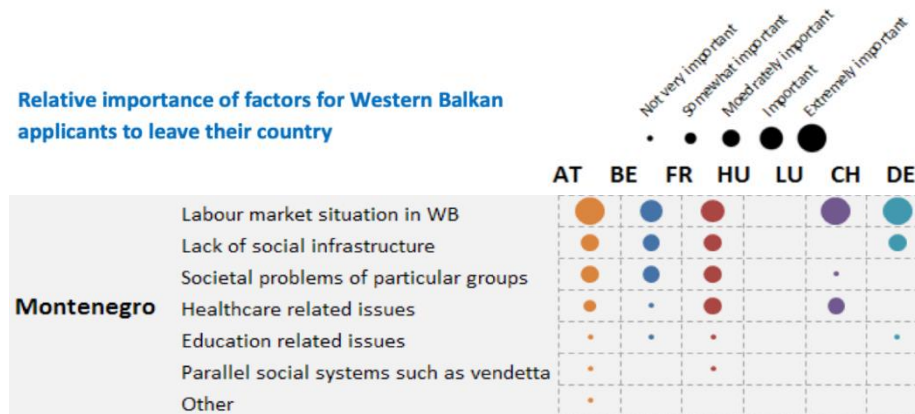
The rising number of people emigrating from Montenegro are mostly from the country's northern region, due to the uneven development of the country's provinces. Northern municipalities show a constant rise in emigration, first to other parts of the country, then abroad. Depopulation affects the economic growth of the region and the entire country. In 2019, the unemployment rate was 36.3% in the northern region, 5.5% in the south, and 9.1% in the central part (Monstat, 2019).

The youth population expresses a strong desire to leave the country. A survey conducted in 2018 as part of FES (Friedrich Ebert Stiftung) Youth Studies Southeast Europe 2018/2019 in cooperation with

in Montenegro, when the foreigner has been employed by the company for at least a year and performs the duties of manager or specialist; are involved in implementing development projects determined by the government; are residents in a neighbouring country but employed or work in Montenegro and return to their place of residence at least once a week (daily migrant).

local partners found that 50.7% of young people in Montenegro (aged 14 to 29 years) feel a fair or strong desire to move abroad (FES, 2019). Reasons include feeling discouraged by not being able to find a job and lost trust in government institutions and their policies.

TABLE 2.2 PUSH FACTORS FROM THE EUROPEAN ASYLUM SUPPORT OFFICE (EASO) SURVEY



Source: EASO (2015)

The principal factors determining the choice of emigration are economic (Table 2.2). The possibilities of finding legal or illegal work in the receiving country may play the main role. This reflects the fact that the labour market situation was stated as the main push factor. The next pull factor is an existing diaspora, as shown by the exact correspondence between the stock of migrants in certain destination countries and the directions of migration flow. Moreover, immigration policies and the complexity of procedures to obtain residency in the destination countries also strongly determine where migrants move.

Family reunification contributes to attracting Montenegrin citizens to migrate. If a family member is abroad, it is very likely that the rest of the family will leave in the near future to join them, which will further increase the number of emigrants. The increasing number of migrants has an impact on remittances (Table 2.3), which represented up to 12.5% of GDP in 2020 (World Bank database, 2020) and are among the highest in the region. This is also confirmed by the revised data from the Central Bank of Montenegro, which also show increasing level of remittances during recent years, including the year 2020 with the Covid-19 pandemic. However, the latter data differ from the World Bank data; if we look at the level of remittances in the previous decade, we can see a significant difference in the data from these two sources, which ranged around EUR 30–40 million annually (Table 2.3). This raises again the issue of the need for methodological alignment and improvement of statistics related to remittances.

TABLE 2.3 MIGRANT REMITTANCE INFLOWS TO MONTENEGRO, 2010–20

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
World Bank data (USD million)	416	510	508	545	543	470	481	523	589	584	601*
World Bank data (EUR million)**	314	367	395	410	409	423	435	464	499	521	526
Central Bank of Montenegro data (EUR million)		399	429	445	443	459	470	499	537	560	564
Difference between Central Bank and World Bank data (EUR million)	28	32	34	35	34	36	35	35	38	39	38

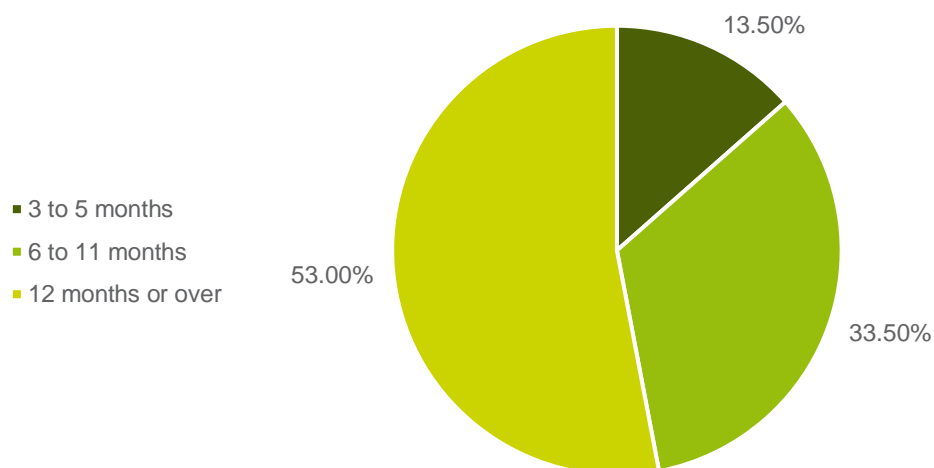
Notes: *World Bank estimate, **Calculation based on exchange rates on 31 December of respective year

Sources: Central Bank of Montenegro (www.cbcg.me/me/statistika/statisticki-podaci/ekonomski-odnosi-sa-inostranstvom/platni-bilans) and World Bank (www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data)

Mobility patterns from the Western Balkan region range between short-term movements, longer-term temporary assignments, permanent relocation and even multistage itineraries between points of origin, transit and destination.

The data on official permits for temporary or permanent stay in EU countries obtained by Montenegrin citizens show that a higher percentage are long term (for a year or more). In 2019, the total number of EU residence permits issued for Montenegrin citizens (Figure 2.1) was 3 882 or 0.6% of Montenegro’s total population. Of these, 518 (13.5% of total permits) were issued for 3 to 5 months, 1 302 (33.5%) for 6 to 11 months, and 2 056 (53.0%) for 12 months or over.

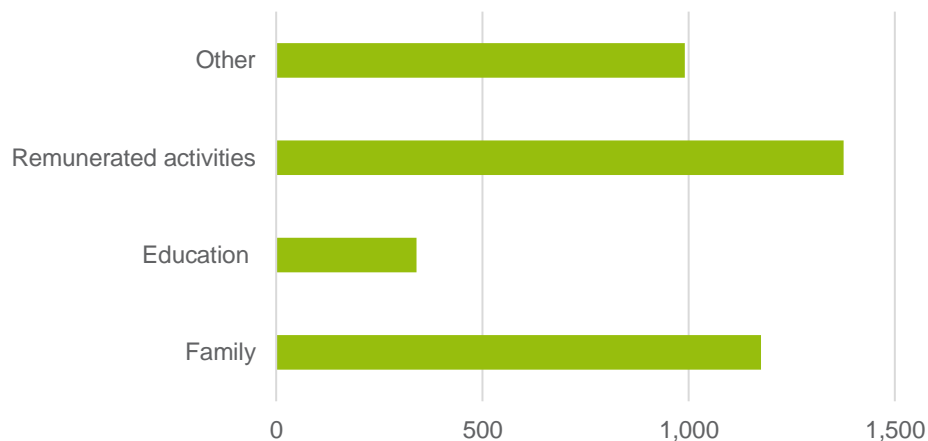
FIGURE 2.1 EU RESIDENCE PERMITS FOR MONTENEGRIN CITIZENS BY DURATION, 2019 (%)



Source: Author’s calculations based on Eurostat

These statistics indicate the nature of migration. To understand why most permits were for long-term stays, we looked at the reasons why they had been issued (Figure 2.2). The conclusion is obvious: migratory movements tend to be permanent. Moreover, as is usually a trend for Western Balkan countries, one member of a family may leave the country looking for employment in more developed states. Once they have settled and saved enough money for the safe movement of the others, the rest of the family joins them in their new homeland.

FIGURE 2.2 NUMBER OF FIRST PERMITS BY REASON, 2019

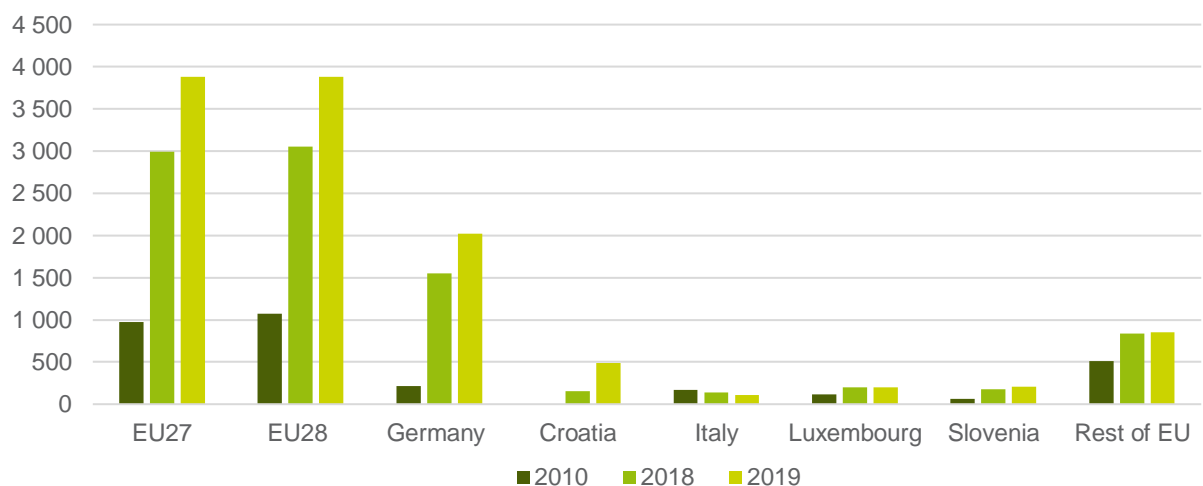


Source: Author's calculations based on Eurostat

2.2 Major destination countries

The migration trend from the Western Balkan region to EU countries is accelerating. Visa facilitation and readmission agreements signed in 2007 between the EU and Montenegro have contributed to this trend. Agreement offers speeded up visa procedures for Montenegro's citizens in exchange for stepped up migration cooperation as of 2008. The graph in [Figure 2.3](#) shows a significant difference between the numbers in 2010 and the last couple of years. The ranking of destination countries has remained the same in recent migration flows, even though the total numbers are increasing. The countries that were most desired in 2010 were still in the same position a decade later (Italy is an exception, given its economic crisis).

FIGURE 2.3 TOTAL NUMBER OF FIRST-TIME PERMITS FOR MONTENEGRIN NATIONALS TO EU COUNTRIES IN SELECTED YEARS

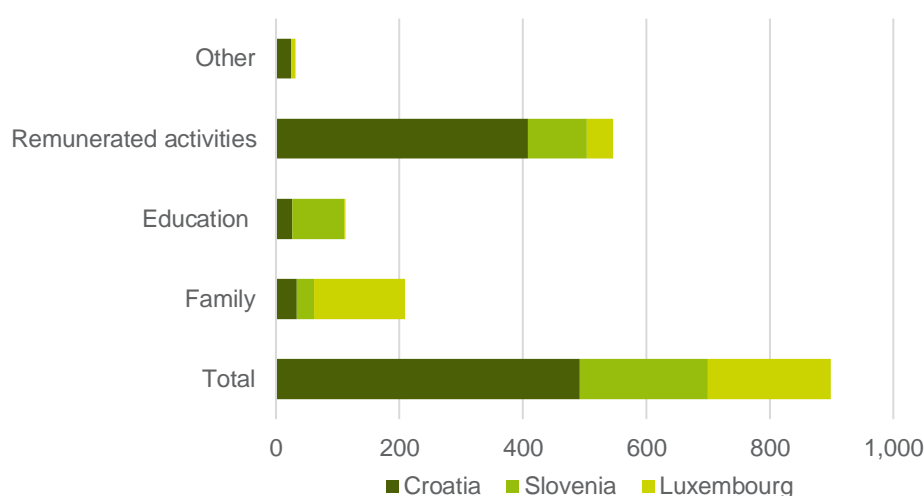


Source: Author's calculations based on Eurostat

Since emigration from Montenegro is mostly to Germany, Croatia, Luxemburg and Slovenia, we examine these migration patterns and the main reasons for them. Based on data obtained from Eurostat, we try to draw some conclusions about these flows.

Below, we discuss why the most first-time permits were given in 2019 and which destination countries issued the largest numbers of permits. The top four countries accounted for 2 918 out of a total of 3 882 permits issued for the year (75.2%). Germany alone issued 2 019 permits. Because this number is more than twice the total for the other three countries, it is not included in Figure 2.4. The reasons for migration and flow patterns for Germany will be explained separately.

FIGURE 2.4 NUMBER OF FIRST-TIME PERMITS FOR CROATIA, SLOVENIA AND LUXEMBOURG BY REASON, 2019



Source: Author's calculations based on Eurostat

In 2019, the total number of permits issued by Croatia, Slovenia and Luxemburg was 899 (23.2% of all permits), most for remunerated activities. Among this group of countries, the main destination for migration for employment is Croatia. Other available data show that most migration to Croatia is seasonal, as more than half of it is for a duration of 3 to 5 or 6 to 11 months, for jobs in the accommodation and food service sectors.

This may indicate that Montenegro has a significant part of a trained, skilled workforce that could meet the demands of the tourism sector, a fact that has often been questioned. However, this workforce is clearly looking for better paid jobs in tourism in Croatia. At the same time, Montenegro issues a large number of seasonal permits for foreigners for its own tourism sector. Thus, part of the Montenegrin workforce temporarily emigrates to better paid destinations and is replaced by seasonal workers from Serbia, Bosnia and Herzegovina, or North Macedonia. Hence, difference in earnings plays a significant role in this kind of temporary migration.

Family reunification is another important reason for migration. The main destination country for those wanting to reunite with their families is Luxembourg². This is a country to which people from

² The first migration waves to Luxembourg took place in the 1950s after the Second World War. Luxembourg is a small country known for having a large share of immigrants among its population and high living standards, hence it was attractive to former Yugoslav citizens. This migration trend continued after the break-up of

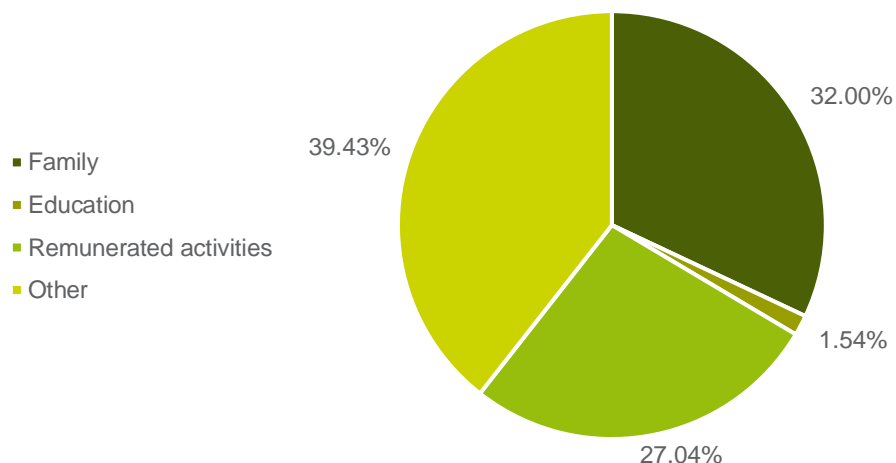
Montenegrins have been moving for years. Aging family members who have established stable living conditions and acquired citizenship are now ready to bring the rest of the family to their new homeland. That is why Luxembourg is the country that has granted citizenship to the largest number of Montenegrins. In 2018, 489 people were granted citizenship (Eurostat). Of these, 33.5% were under the age of 19, and 41.5% were aged between 45 and 60. These age groups are indicative of migration for family reunification. The situation of Montenegrin citizens in Sweden is similar. In the past, higher numbers of people from Montenegro moved to Sweden. The trend in migration flows to this country has been consistent over the past decade and family-related reasons were the most common for issuing residence permits. In 2017, 17.2% of all permits issued in Sweden were for family reasons.

The third reason for migration is education. Slovenia is the country that Montenegrin people move to most for education reasons. This is due to lower student fees than in other parts of Western Europe, high-quality education and higher ranked universities than those in Montenegro. This type of migration is mostly circular. Statistics show that students move for studies for 6 to 11 months or a year and then return to their homes. Another popular destination for those seeking quality education is Italy and, in recent years, Hungary.

2.3 The exceptional role of Germany

Germany plays a major role as a destination for Montenegrin migrants. It receives the highest number of migrants from Montenegro of all EU+ countries³. In 2019, over half of all residence permits for EU+ countries issued to Montenegrin citizens were for Germany (Eurostat, 2020). The number of German first-time residence permits in 2019 was almost 10 times higher than in 2010. To understand these trends, we should consider the most common reasons for issuing permits (Figure 2.5). Three main motives are found in similar proportions: family, remunerated activities and other reasons.

FIGURE 2.5 FIRST-TIME PERMITS BY REASON FOR GERMANY, 2019



Source: Author's calculations based on Eurostat

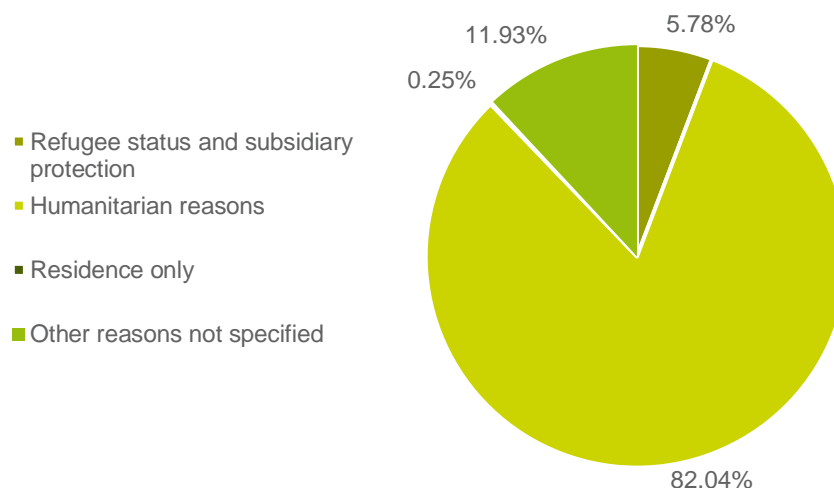
Yugoslavia into seven successor states, most probably for family reunification reasons (source: [Luxembourg – a country of foreigners, Schengen and high standards](#)).

³ The EU+ countries are the EU-28 plus Norway, Switzerland, Liechtenstein and Iceland.

It is not hard to understand why family reasons account for a large share of first-time permits for Germany. They represent one of the main pull factors for other EU countries as well. However, Germany issued the largest number of permits for ‘other reasons’ rather than family reunification or remunerated activities, which were the largest categories in the rest of the EU countries. Figure 2.6 shows which factors are included in other reasons. A total of 82% of the other reasons were humanitarian, which says a lot about the profile of these migrants.

Considering the regulations⁴ under which Germany issues this kind of permit, people receiving them must come from a vulnerable group. Although it has no solid foundation in statistical data, this might indicate that some people in the group (apart from Roma and to a lesser extent ethnic Albanians) apply for asylum status knowing that they will be refused. They use the period in which their asylum application is processed to work and/or receive social benefits. This could be plausible especially because Germany already has a large diaspora of former Montenegrin citizens, which might help newcomers to access the country and even to find irregular employment. No research was done on this topic, hence this is only conjecture. It could serve as a proposition for another study and help the country tackle the issue of uncontrolled labour mobility flows.

FIGURE 2.6 OTHER REASONS FOR FIRST PERMITS, 2019

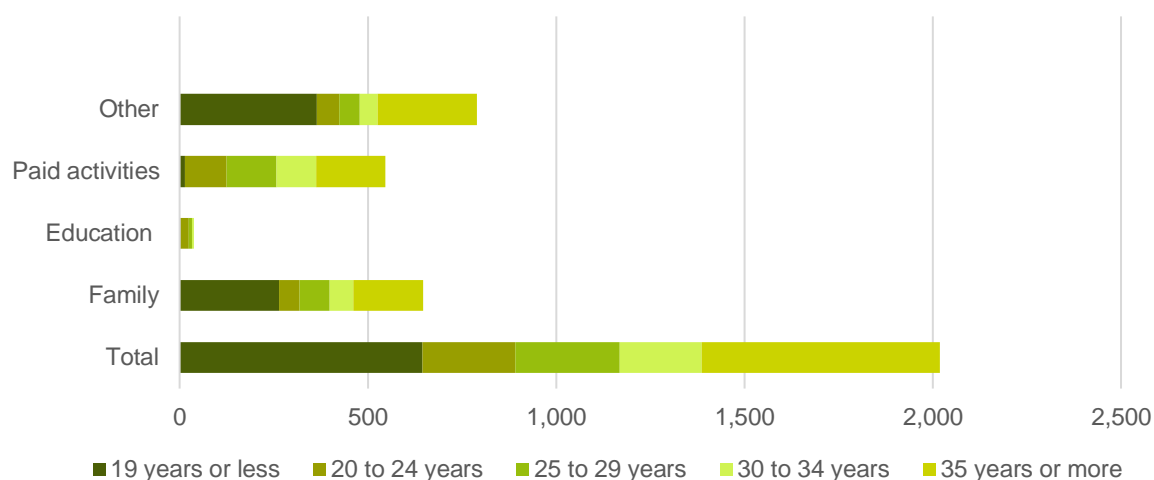


Source: Author’s calculations based on Eurostat

Figure 2.7 focuses on the group of people who receive residence permits for remunerated activities. It shows that the predominant age group for employment seeking is between 20 and 34 (63.7%, Eurostat). Therefore, the younger age group is most affected by migration. This is supported by the fact that many people below 19 migrate for family reasons. However, information on the skill profile of these people is not available. The percentage of researchers in the available official statistics is only 0.2%, while blue-card holders account for 2.2% (Eurostat, 2018). The remaining 97.6% come under other reasons. This opens up a question on these people’s occupations, education levels and skills. Without following this up, the country cannot be fully aware of the consequences of labour mobility flows. We shall address this question with our own estimates in the following section.

⁴ See Baden Württemberg Serviceportal, *Residency for humanitarian reasons*, www.service-bw.de/en_US/web/quest/lebenslage/-/lebenslage/Residency+for+humanitarian+reasons-5000087-lebenslage-0?tab=0

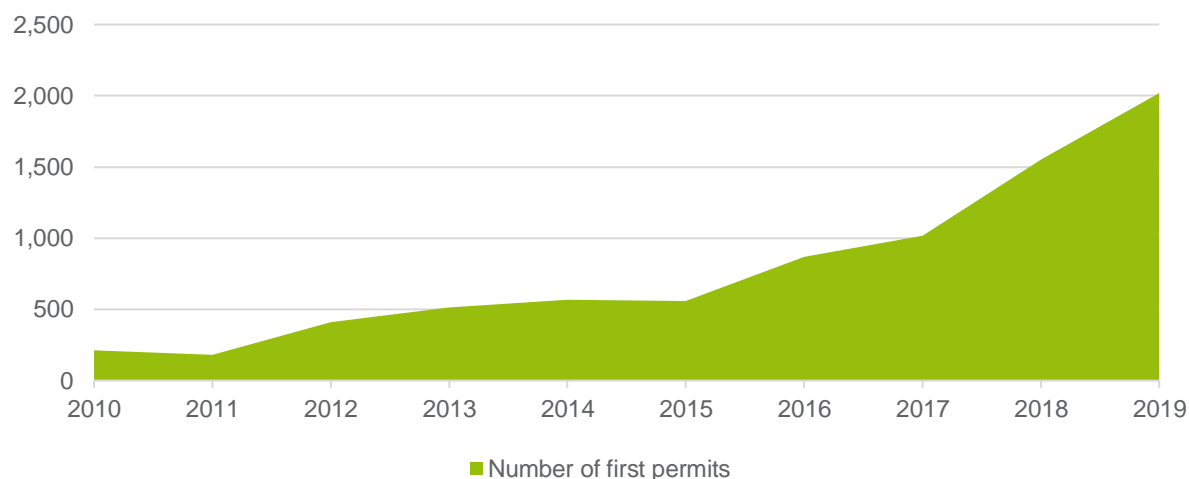
FIGURE 2.7 FIRST PERMITS FOR GERMANY BY AGE GROUP AND REASON, 2019



Source: Author's calculations based on Eurostat

Germany issues the largest number of residence permits for Montenegrin emigrants. The numbers have doubled in the past couple of years (Figure 2.8). Over the past decade, the strongest increase was from 2018 to 2019. The trigger for such a rise could be the Skilled Labour Strategy⁵. This strategy was introduced to make it easier for people with vocational qualifications to access the German labour market. Officially, it does not have any impact on academic graduates since they already have a Blue Card for easy entry into the German labour market. The logical conclusion would be that the increased flow affected by this strategy would be that of people with vocational qualifications.

FIGURE 2.8 FIRST PERMITS ISSUED BY GERMANY FOR MONTENEGRIN CITIZENS, 2010–19



Source: Author's calculations based on Eurostat

German Federal Agency for Employment (2020) data on the employment of foreigners provide some information on fields of work, age and sex of Montenegrin citizens residing in the country. These figures for 2015 to 2020 show constant yearly growth. When the numbers of employees are compared

⁵ See the press release of the German Federal Ministry for Economic Affairs and Energy (2018).

to those from the same period of the previous year, the growth rates are always around 8% to 10% (as they are measured quarterly). Contrary to the logical assumption on the Covid-19 pandemic, the growth rate for 2020 was the highest in the last five years and stood at 15.8% in March of that year.

Most employees are either low-skilled (37.7%) or skilled workers (53.2%). The rest are experts and specialists, who are present in much lower numbers. The largest age group is people between 25 and 55. The main employers are in the fields of manufacturing, personal services (including health) and other business service activities. Large youth emigrations might have considerable consequences on labour deployment because they are predominantly permanent. In addition, the primary- and secondary-educated workers in these figures are crucial to the sustainability and economic stability of any country. Hence, it is vital to create measures and policies that would keep these workers in their country of birth.

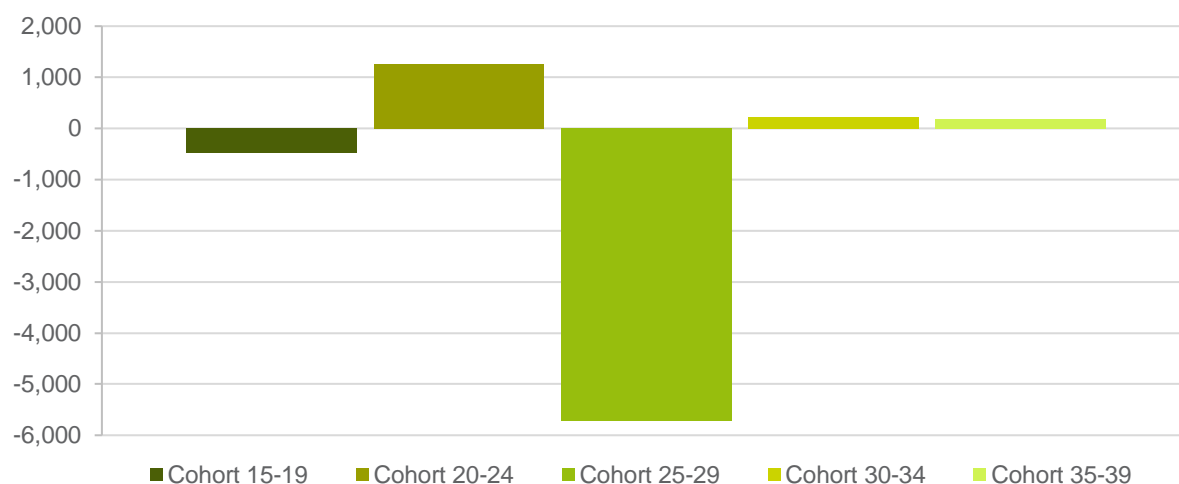
2.4 Estimates of the age and skill composition of net migration flows

Some very useful information was obtained from Leitner's (2021) novel estimate of the net emigration balance for Montenegro in the last decade. Leitner's cohort approach methodology is summarised in Annex 1 and more information can be found in Leitner 2021. Based on an analysis of LFS data, net migration by cohorts is estimated to have a negative migration balance for Montenegro of around 4 500 people (for age groups between 15 to 39 years old in 2010), over the 2012–19 period (Figure 2.9). This figure is in line with the UN statistics presented in the first section.

Overall, 2012 to 2019 was characterised by net emigration. It was mainly driven by strong net emigration among age cohort 25–29 (people who were in their mid-20s to late-30s between 2012 and 2019) and relatively low net emigration among the youngest cohort 15–19. This is aligned with findings from the residence permit statistics for Germany, discussed above. The remaining cohorts experienced net immigration, especially among the 20–24 cohort.

There is evidence of brain gain among all cohorts except cohort 25–29 (which aged to become cohort 34–38 by the end of the 2012–19 period). Moreover, net immigration of the highly educated was greatest among the two youngest cohorts 15–19 and 20–24. This is probably due to two reasons. First, people in the two youngest cohorts were mainly in their early to late 20s between 2012 and 2019 and therefore at the age at which tertiary education is typically completed. This suggests that young Montenegrin university graduates, who have pursued their tertiary education abroad, return in larger numbers. The stronger net emigration of people with medium general education among these two cohorts is consistent with this idea. Many people at this level seem to leave after graduating from upper secondary education and return as university graduates when they are still in their 20s. Second, Montenegro increasingly attracts high-skilled migrants to work in the country (Leitner, 2021).

FIGURE 2.9 CUMULATIVE NET MIGRATION FLOWS BY COHORT, 2012–19



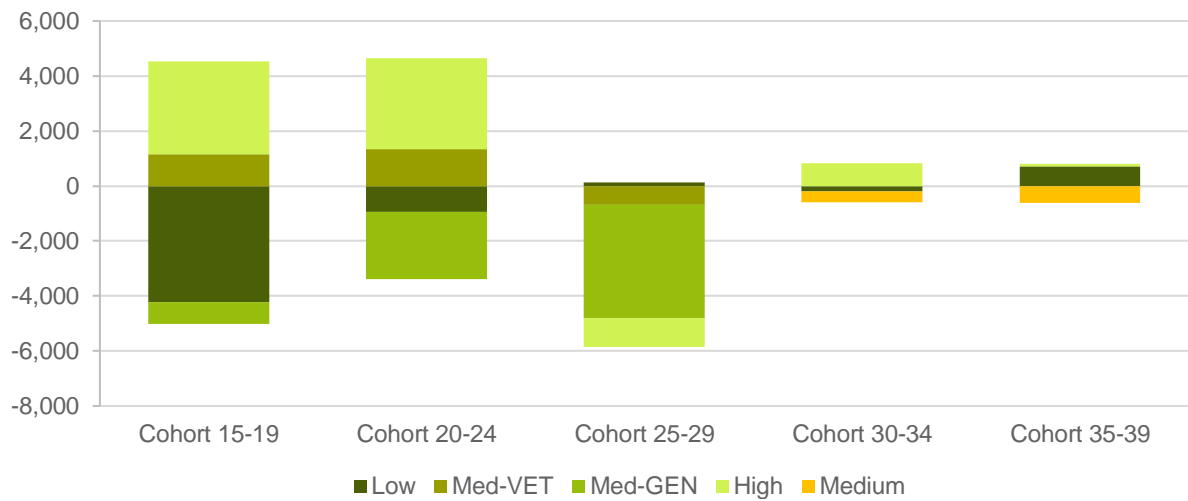
Note: These age brackets refer to age in 2010. The cohort approach approximates net migration through differences in cohort size between two consecutive years. Hence, 2012, which is the first year reported here, refers to the difference between 2011 and 2012. Negative numbers refer to net emigration and positive numbers refer to net immigration.

Source: Leitner (2021), calculations based on LFS data for Montenegro

The net immigration of people with secondary vocational education (medium VET), as the highest educational attainment level among the two youngest cohorts (Figure 2.9), is related to the immigration of younger people with medium VET skills mainly from the region who take up jobs in Montenegro. They generally work in the tourism and related service sector and construction (see IBF, 2018). Conversely, cohort 25–29 experiences some net emigration.

Most cohorts experience net emigration of low educated people (except cohorts 25–29 and 35–39). Generally, net emigration of low educated people is highest among the youngest cohort 15–19 who seem to leave in larger numbers after finishing lower secondary education. Net emigration of those with secondary general education (medium general) as their highest educational attainment level is the most significant among cohort 25–29 (Figure 2.10).

FIGURE 2.10 CUMULATIVE NET MIGRATION FLOWS BY COHORT AND EDUCATIONAL ATTAINMENT LEVEL, 2012–19



Note: These age brackets refer to age at the beginning of the period in 2010. The cohort approach approximates net migration through differences in cohort size between two consecutive years. Hence, 2012, which is the first year reported here, refers to the difference between 2011 and 2012. Educational levels are divided into four categories: low (primary or lower secondary education), medium general (upper secondary general education/gymnasium), medium VET (upper secondary vocational education and training), and high (tertiary education), based on the International Standard Classification of Education (ISCED). There is an ISCED break in the LFS data between 2013 and 2014, which affects how the two groups of medium general and medium VET are defined. This break mainly concerns the two oldest cohorts: 30–34 and 35–39. To avoid any break-related biases for these two cohorts, net migration flows are reported for an aggregate medium group, calculated as the sum of net migration flows of medium VET and medium general. Negative numbers refer to net emigration and positive numbers refer to net immigration.

Source: Leitner (2021), calculations based on LFS data for Montenegro

3. LABOUR DEPLOYMENT AND MIGRATION

Youth emigration might affect future labour deployment. The most recent migration concerns refer to brain drain, as many presume that the country has a large share of high-skilled people among its emigrants. However, the available data do not provide enough evidence to support these beliefs. The fact that most emigrants are young should be the main concern of policymakers. Some findings in local non-governmental organisation (NGO) reports and newspapers suggest that the number of those who emigrate irregularly should not be underestimated.

This section aims to provide reasonable explanations for the Montenegrin labour market outcomes by connecting them with key features of migration over the past decade, as presented in previous sections. As shown in [Table 1.1](#), labour market indicators have been gradually improving since 2010. The labour force participation rate was 61% (aged 15+) in 2019 with a gender gap (69% vs. 54%), while the employment rate was almost 52% (45% for women). Although the total unemployment rate remained around 15% in 2019, youth unemployment has been quite high (down from 37.6% in 2015 to 25.2% in 2019) (ETF, 2020b).

Labour market policies have been under reform in the past decade. Policy priorities are described in the National Strategy for Employment and Human Resources Development 2016–2020 and the Employment and Social Policy Reform Programme 2015–2020 (Ministry of Labour and Social Welfare, 2015a and 2015b). The first represents a set of reforms and measures that are a continuation of the strategy for 2012 to 2015. The main objective is to create optimal conditions for employment growth and improvement of human resources in Montenegro. Four priorities are set within this strategy: increasing employment and reducing the unemployment rate, efficient functioning of the labour market, improving qualifications and competencies in line with labour market needs, and promoting social inclusion and reducing poverty.

Major policy measures that may affect push and pull factors of migration are increasing the efficiency of active labour market programmes with an emphasis on the integration of long-term unemployed and young people. Long-term unemployment is one of the key challenges in Montenegro. Despite the positive trends in the labour market, long-term unemployment represents a high percentage of total unemployment (79% in 2019). The long-term unemployment rate in 2019 was 11.9%. The largest group among long-term unemployed people are those seeking employment for the first time, predominantly recent graduates. Hence, one of the crucial measures that has been implemented is the Programme of professional training of youth with higher education. This programme allows young people with no experience to gain professional skills and become more competitive on the labour market. Other policies focus on increasing self-employment and encouraging entrepreneurship, especially in underdeveloped areas of Montenegro. Creation of incentives for entrepreneurs and favourable tax policies are designed to attract economic activity in regions marked by depopulation.

The national strategy also focuses on the issue of undeclared work. The National Human Development Report for Montenegro (UNDP, 2020) estimates that every third job in Montenegro is in the grey economy. Undeclared work is more common in construction, hospitality, tourism, trade, agriculture and transport. These sectors are often related to the seasonal nature of the Montenegrin economy and work activities without establishing a formal employment relationship or failure to register workers for prescribed or appropriate working hours (that is, working more than normal hours), illegal employment of foreigners (failure to register or improper registration), non-payment of increased wages to workers (when they have a legal right to higher pay, for example in the case of overtime or

night work), payment of wages or part of wages 'under the table' and any other forms of undeclared work. Undeclared work is most common among young people regardless of their qualification or diploma, unskilled workers, unemployed people of an older age who lost their jobs in the transition process, and even pensioners.

The main causes of a high level of undeclared work are labour market inflexibility, a high unemployment rate, low profitability, a high tax burden on employers and the overall culture of informal business developed over recent decades. The Directorate for Inspection Affairs carries out constant, continuous activities in all work sectors where undeclared work can be identified and takes measures to eliminate it. Although stronger measures for monitoring employers and their practices are being implemented, this is a very challenging matter and requires additional effort by all those involved. Reducing this trend would lower the number of migration-ready population involved in this type of employment and make Montenegro a more attractive destination for international immigrants.

Urbanisation has led people to leave the countryside and move towards urban centres. Northern municipalities are the most affected by such movements. People from the northern region were mainly employed in agriculture and forestry, as these are primary resources in the area. As people left their 'traditional' activity sectors, the region's economic growth slowed down, which further pushed people towards emigration. As a final outcome, people started moving further away to the country's central and southern parts and across the border, searching for jobs and higher wages. That is why some of the northern cities are constantly depopulated, which affects the whole country. The government has some initiatives to revitalise the region and encourage people to go back and establish their businesses there. Some recent initiatives are the National Strategy for the Regional Development of Montenegro 2014–2020 and the Ministry for Sustainable Development and Tourism's Strategy for Rural Tourism Development and associated action plan, valid until 2023. However, further actions are required.

The National Strategy for the Regional Development of Montenegro focuses on achieving more harmonised socio-economic development of all municipalities and regions in the country, based on competitiveness, innovation and employment. Development measures have been established in three main areas: smart, sustainable and inclusive growth. Most funds for the northern region have been invested in the construction of the Smokovac-Matasevo section of the Bar-Boljare highway, that is, on road infrastructure. Therefore, the funds were spent on sustainable growth (59%) followed by smart growth (38%, where most of the funds went into credit activities of the Investment-Development Fund of Montenegro) and inclusive growth (3%, where significant funds were allocated to the Programme of professional training of youth with higher education and other programmes of the active employment policy). Annual reports on implementing the action plan present index values for competitiveness and development, the growth of SMEs, and employment rates by municipalities (Government of Montenegro, 2020). Even though the figures mainly show growth, northern cities are still at the bottom of the tables with significantly lower numbers than other regions.

Modernisation increases the need for skills related to new technologies. Consequently, the government recently adopted the Smart Specialisation Strategy of Montenegro 2019–2024, which calls for some changes in the educational system and the introduction of new and continuing VET programmes (retraining opportunities for adult workers). The strategy targets three sectors: sustainable agriculture and the food value chain, energy and sustainable environment, and health tourism. Linked to this strategy, the ETF conducted a pilot study on skills needs in the energy and health tourism sectors in Montenegro (see ETF, 2021). They identified the need for certain profiles of workers on which the creation/reformation of the education and training offer should focus: engineers, specialists, production managers, technicians and construction workers specialised in solar, wind and

bioenergy related to the energy sector; and specialists in the area of spas and wellness, therapy and fitness professionals, medical experts and customer service workers related to the health tourism sector (ETF, 2021).

The main objective of the Strategy for Rural Tourism Development is the sustainable development of diversified, authentic rural tourism. This will create a basis for increasing the well-being of the rural population and halt depopulation of rural areas. Looking at the proposed measures and activities within the five-year plan, this strategy suggests an inclusive approach to the creation and development of the rural tourism offer. It aims to use traditional resources to offer them in a modern, innovative way. Effective management and good practices would boost further growth of economic activities in the sector. This would revitalise the region and attract immigration and return migration. This strategy was created in 2018, so its contributions are yet to be seen.

The country's economy heavily relies on the service sector, particularly tourism that contributes 23.7% to GDP (WTTC, 2018). It is not surprising that the number of people employed in sectors such as accommodation and food services, the wholesale and retail trade, the repair of motor vehicles and motorcycles and other service activities make up 31% of all employed people (Monstat, 2019). As a consequence, there are a lot of low-quality jobs and underemployment. Such jobs are rarely permanent and wages are low, which makes those employed in the sector ready for migration. Salaries are many times higher for the same positions in Western European countries (even Croatia) or the USA, which are usually destination countries for this group.

3.1 Labour shortages in the Montenegrin labour market

As a result of the developments explained above, the service sector in Montenegro regularly experiences high labour shortages in the following occupations: waiters, other hotel staff, mechanics and construction workers, among others (Kaludjerović & Radojević, 2012). Thus, the main sectors with recorded labour shortages in the country are construction, tourism, hotels and restaurants, agriculture and trade. These labour shortages are mainly compensated by seasonal immigration from neighbouring countries. Montenegro employs almost three-quarters of all migrant workers from the region. A review of their qualification structure shows that most of them are low qualified (ILO, 2015).

The report on implementation of the Strategy for Integrated Migration Management in Montenegro for 2019 provides some statistical information on immigration trends (Ministry of the Interior, 2020). In 2019, a total of 27 634 permits for temporary residence and work of foreigners were issued in Montenegro. Of these, 15 582 were given within the quota system and 12 052 were out of quota⁶. This represents 1 307 or 5% more work permits than in 2018 (26 327 permits). A high number of permits issued out of quota could be the result of numerous foreign SMEs operating in the country. However, no data are available on numbers by types of permits out of quota.

Out of the total permits issued for foreigners within the quota system by type, 80.3% were for employment (12 513) and 19.7% were for seasonal employment (3 069). In the quotas filled for employment of foreigners in 2019, four economic sectors received the most foreign workers (81.4%): construction, accommodation and food services, other service activities, and trade. A total of 81.7% of the allocated quota was reached in 2019. By type of permit, 89.2% of the allocated quotas were

⁶ See footnote 1 for the definition of 'out of quota' residence and work permits.

reached for the employment of foreigners, and 60.8% of the quotas for seasonal employment. The countries of origin of the immigrants were not included in the report.

Data were obtained on the country of origin of foreigners from the paper 'Information from the Ministry of Labour and Social Welfare and the Ministry of Internal Affairs on the application of the Law on Foreigners' (2015) (Table 3.1). Considering that trends in the main sectors of activity and the average number of permits remained consistent over the last decade, the following statistics (which might seem outdated) are relevant to current flows. These data show that the main import of the labour force is from the region. Out of about 23 000 immigrants, 38% were from Serbia, while immigrants from five Western Balkan countries made up 62% of total immigrants. These data support the supposition of chain migration of low- and medium-skilled workers: Montenegrin citizens who emigrate for higher wages are replaced with foreigners who come to work for lower wages.

TABLE 3.1 COUNTRY OF ORIGIN OF FOREIGNERS WHO OBTAINED A PERMIT FOR TEMPORARY RESIDENCE IN MONTENEGRO, 2015

Country of origin	Number
Serbia	8 739
Bosnia and Herzegovina	3 945
Russia	2 585
Ukraine	1 169
North Macedonia	1 039
China	419
Albania	355
Croatia	244
Kosovo ⁷	201
Belarus	126
Italy	125
Great Britain	97
Turkey	87
United States of America	79
Germany	78
Slovenia	65
Kazakhstan	56
France	48
Others	3 559
Total	23 016

Source: Information from the Ministry of Labour and Social Welfare and the Ministry of Internal Affairs on the application of the Law on Foreigners (2015)

The labour markets of developed countries are usually characterised by a shortage of labour to perform at the lowest level of the hierarchy of occupations. This is the case in Germany, the main destination for Montenegrin emigrants. The rapid development of the service sector in developed

⁷ This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence.

countries increases the demand for low-skilled workers for jobs that are less attractive to the domestic workforce. These are called ‘3D jobs’: dirty, dangerous, difficult jobs. The local workforce is primarily oriented towards attractive high-paying jobs. Consequently, when the employment rate is high, the jobs at the bottom usually remain vacant. To fill vacancies in low-skilled jobs⁸, employers hire migrants so that they do not have to increase labour costs for the lower hierarchy of occupations (Suković, 2016). Migrants from less developed countries, including Montenegro, are more likely to accept less favourable working conditions than domestic workers, who are generally better protected by regulated working conditions and strong trade unions. In addition, countries like Germany are experiencing labour force withdrawal due to the retirement of the 1950s and 1960s boom generation, which further accelerates workforce shortages.

Montenegro has a significantly higher inactivity rate than EU countries. According to Eurostat data, the inactivity rate (15–64 years) for the EU 27 was 26.6% in 2019, while in Montenegro it was 33.8%. In addition to the highest unemployment rate, the northern region reports the highest inactivity rate. The population in this region is older and less educated than in other regions because of the outflow of young people. According to the 2011 census, the average age in the northern region was 39 years, while at national level it was 37.2 years. Remittances from abroad are an important source of income for the population of the northern part of Montenegro, which results in a high inactivity rate. As mentioned before in Section 2.1, the remittance inflow was above 10% of Montenegro’s GDP in recent years. According to the data from the Central Bank, the total inflow of remittances to Montenegro amounted to EUR 564 million in 2020, up from EUR 560 million in 2019 (with an increase of 0.7%) and EUR 537 million in 2018 (with an increase of 4.3%) (Central Bank, 2019 and 2020)⁹.

This shows that Covid-19 pandemic did not decrease the inflow of remittances to Montenegro in 2020; on the contrary, remittances kept increasing. This implies that family connections are still strong between emigrants and residents of Montenegro, which has a negative impact on inactivity rates. Another reason for high inactivity rates is discouragement because of a lack of job opportunities. Strong labour demand and an increase in job offers is thus a necessary condition for a higher labour force participation rate (World Bank, 2018 and 2019).

3.2 Mobility of Montenegrin doctors

Previous analysis showed that brain drain does not seem to be such a big problem for Montenegro. However, there is significant emigration within specific sectors. The health sector is the most commonly mentioned, especially during the pandemic.

The health sector is facing continuous emigration of doctors, according to Medical Association of Montenegro representatives and Montenegrin medical doctors (interviews). Data obtained from an interview with a medical association official indicate that over 160 medical doctors have emigrated from Montenegro in the last five years. This is over 7% of the total number of licensed doctors in Montenegro. The data obtained from the Medical Chamber of Montenegro for 2018–20 also reveal some patterns of emigration of Montenegrin doctors. In 2018, seven medical doctors addressed the Medical Chamber with a request for information and recommendations to apply for work in a foreign

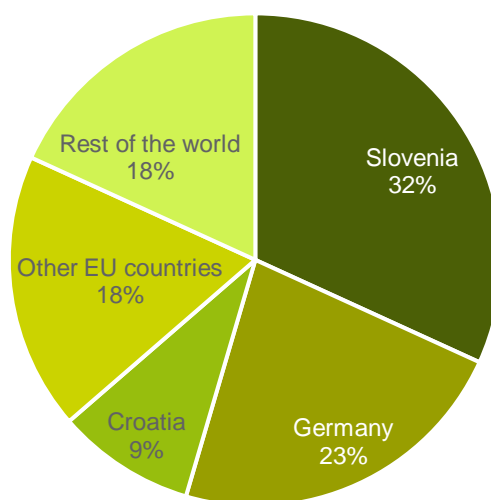
⁸ These jobs are typically called 3D jobs (dangerous, dirty and demeaning jobs undesired by native population.

⁹ See Table 2.3 for more detailed statistics on remittances, provided by two sources: the World Bank and the Central Bank of Montenegro. According to the World Bank (2020), the amount of remittances was USD 584 million in 2019 and USD 601 in 2020 – hence an increase of remittance inflow of 2.9%. The latter represented 12.5% of GDP in 2020.

country. This number significantly increased during 2019, when 19 doctors made such a request to the Medical Chamber of Montenegro. In the first half of 2020, a similar request was submitted by 13 doctors. Even the situation caused by the Covid-19 pandemic did not stop the emigration of doctors from Montenegro, as three more requests have been submitted since March 2020. Thus, during 2019, about 1.5% of the total number of doctors left the Montenegrin healthcare system.

The countries of destination to which doctors mostly emigrate can be determined from interviews and data from the Medical Chamber of Montenegro. Figure 3.1 shows that the most common destinations for emigrated doctors are Germany and Slovenia. There are also employment opportunities for Montenegrin doctors in European countries such as Austria, Switzerland, Croatia, Denmark and Italy, and countries such as Kuwait, the United Arab Emirates and Botswana. However, a significant number of medical doctors leaving Montenegro do not specify a destination when they submit a request.

FIGURE 3.1 RECEIVING COUNTRIES OF DOCTORS FROM MONTENEGRO, 2018–20



Note: Those who did not specify the country to which they emigrated are not included. They represent a significant number (45% of the total number who emigrated in the period), so the data in the graph are purely illustrative.

Source: Medical Chamber of Montenegro

As in other areas, labour migration of doctors is due to salary differences between the countries of immigration and emigration (Šuković, 2016). Montenegrin doctors move from low-wage areas to areas where additional labour is required and wages are higher. As a result, labour supply in the country of origin is declining, which is why the price of labour is rising. Salaries of employees in the health sector increased in 2020. Parameters designed to determine salary based on required expertise and the complexity of work increased by about 12% in 2020 and another 3% is planned for 2021. However, it seems that the difference between medical staff salaries in developed European countries¹⁰ and Montenegro is still very significant, so it is assumed that the increase will not prevent further emigration. Data on the first months of 2020 confirm this statement.

¹⁰ For example, the average monthly net income in Slovenia in the human health and social work sector for 2020 was EUR 1 308 (SORS, 2020), while in Montenegro it was EUR 645 (Monstat, 2020).

This statement is also supported by interview findings. Medical Chamber of Montenegro and the Trade Union of Physicians representatives consider that income differentials are the key determinant in the migration of medical personnel. The Medical Chamber also recognised specialisation as a reason given in a negligible number of doctors' requests. In addition to a commonly stated desire for higher earnings as a justification for doctors' departure, trade union representatives mentioned problems related to a lack of protocols and work standards that demotivate public health system employees. In addition, trade unions emphasised the importance of continuous investment in staff, that is, professional education, to ensure participation in seminars and the like. The Medical Chamber frequently asks management, the Health Insurance Fund¹¹ and the Ministry of Health for continuous medical education for all members of the chamber. According to the Law on Healthcare, health institutions must provide this education. Hence, it seems that the main obstacle is a lack of funds, or unequal treatment in ensuring participation in further education (such as participation in seminars).

¹¹ The Health Insurance Fund of Montenegro is an institution that provides rights to healthcare and health insurance. The synchronised operation of the fund in the healthcare and health insurance system enables better control, more rational and purposeful spending of funds and more creative policy management. To better exercise the rights of insured people, the fund has organisational units in all municipalities in Montenegro. It is one of the most important institutions in the healthcare system and in the state. The fact that its basic role is to finance the healthcare of the country's entire population reveals its importance and almost crucial impact on reforms in the healthcare system and on the overall reforms that are being implemented in Montenegro.

4. HUMAN CAPITAL FORMATION AND MIGRATION

In 2019, the net enrolment rate in upper secondary education in Montenegro was 89%, while the gross enrolment ratio in tertiary education was 54% (UNESCO). Around 68% of all students in upper secondary education chose the VET track in 2019. The expected years of schooling has reached 12.8 years but the figure drops to 8.9 years when it is factored in what children actually learn (World Bank, 2020b). According to the World Bank's Human Capital Index 2020, a child born in Montenegro today will be 63% as productive when she grows up as she could be if she enjoyed complete education and full health¹². The country has a low share of early school leavers (5% in 2019), while the share of people not in education, employment or training (NEETs) was around 17% (ETF, 2020b). In 2019, the educational attainment (broad levels) of the labour force (% aged 15+) was: 29% of the labour force is high-skilled, 62% is medium-skilled and 9% is low-skilled (ETF, 2020b).

The transition process implies reforms in education. The main strategic documents on education are development strategies for inclusive, vocational and higher education¹³. The last two were created for the period from 2015 to 2020 and final reports are already available. The Strategy for the Development of Inclusive Education was created in 2019 and covers the period from 2019 to 2025, hence its effects are not clear yet. All these strategies were designed to align teaching with European standards and enhance the quality of education delivered. The crucial objectives for migration are higher education reform and curriculum development to prioritise digital literacy, e-learning and practical skills. The Law on Higher Education from 2017 introduced a new model of studying (3+2+3) and practical classes as a mandatory part of the study programme accounting for at least 25% of it (Government of Montenegro, 2020). Internationalisation and alignment with EU recommendations allows greater opportunities for student mobility and facilitates attainment of university degrees abroad and nostrification of foreign ones. Moreover, through new curricula, students are more likely to gain the necessary skills. This will help to adapt faster to competitive labour markets abroad.

A survey on compliance between higher education programmes and labour market needs was conducted to inform policies that could reduce push factors. The methodology included surveys and in-depth interviews with employers and company representatives (Government of Montenegro, 2020). The index of relevance of higher education in Montenegro according to this research is 84 (on a scale from 0 to 100). The newly formed Agency for Quality Control and Assurance in Higher Education will be in charge of monitoring the implementation of the strategies' main priorities. These include defining clear criteria and conditions for enrolment in higher education institutions, ensuring the implementation and assessment of learning outcomes in a thorough manner, developing a lifelong learning offer, monitoring the quality of implementation programmes and strengthening the recognition of non-formal education.

¹² Complete education is defined as 14 years of high-quality school by age 18; full health is defined as no stunting and survival up to at least age 60.

¹³ National classification divides educational programmes according to the 2011 International Standard Classification of Education (ISCED). Pre-school education is level zero. ISCED level 1 (primary) includes primary school from first to fifth grade, while level 2 (lower secondary) covers the national system of sixth to ninth grades. ISCED level 3 (upper secondary) covers the national secondary school system, while level 5 comprises the former higher schools (that is, vocational education after secondary education). There is a limited offer for ISCED level 5. ISCED level 6 includes all university study programmes lasting three or four years, while those lasting five or six years are classified as ISCED level 7. Doctoral studies are ranked at level 8, according to ISCED 2011 (ETF, 2019).

Skills mismatch is identified by national stakeholders as one of the most worrying issues for human capital development and use in Montenegro (ETF, 2019a; Radović & Djurasković, 2016). Together with a lack of job creation, it is considered a key obstacle to growth and competitiveness. Based on available data, skills mismatch has been recognised as a consequence of the fast-changing nature of jobs, which leads to the loss of some jobs (decreasing labour force demand), changing content of other jobs, creation of totally new jobs and limited or lengthy adaptation of education and training supply to meet these new needs (ETF, 2020a).

The occupational mismatch indicator shows that there is a trend of over-qualification in Montenegro (ETF, 2019a). Skills mismatch is especially noticeable among upper secondary and high education levels. It stems from high levels of people transitioning from VET to higher education, and to programmes that are less relevant for labour market needs. Although the number of students who plan to continue education after VET secondary school is already significant at the enrolment phase, due to the limited number of places at general schools, selection criteria was based on previous results and parental influence (Kaludjerović & Mirković, 2020). There seems to be an oversupply of higher education graduates, particularly in low demand professional fields such as law or humanities, leading to a high level of graduate unemployment (Kaludjerović et al., 2016). Studies (Arandarenko & Bartlett, 2012; Bartlett et al., 2016) confirmed that the main reasons for graduates not finding jobs include a lack of available jobs and the fact that the education system does not equip graduates with relevant skills.

However, Montenegro has recognised this issue and is the first country in the region to implement dual VET education programmes (see the structure of the Montenegrin education and training system in Annex 2). The reform was established with support from the ETF and the ILO in 2017. Already, 56% of dual VET students from the first two academic years (2017/18 and 2018/19) found employment after graduation (ETF-ILO, 2020)¹⁴. Similar initiatives might help reduce high youth unemployment and long-term unemployment rates, which pushed young people into seeking employment abroad. For employers, the most important skills are sector-specific (for which vocational courses are relevant), computer, and analytical and problem-solving (that is, a mix of cognitive and interactive skills) (National Erasmus+ Office, 2020). One major challenge is the relative weakness of such skills among graduates, apart from computer skills.

The main reason for a mismatch between the labour market and education system is that the education system does not focus enough on labour market needs. Higher education has expanded in Montenegro. After the Bologna reform, the number of students enrolled in higher education institutions increased from 9 759 in 2003/04 to 24 184 in 2014/15. This brings up the question of whether the education system is focused on quality or quantity. Recognised shortcomings of the education system are the lack of specialised education, work-based learning and lifelong learning. In addition, in relation to youth's competitiveness on the labour market, there is a recognised absence of entrepreneurial initiative. Entrepreneurship is important for the possibility of self-employment, self-education and ambition for constant development and knowledge acquisition. This would make young people who are affected by high unemployment, especially long-term unemployment, more attractive to potential employers.

To increase labour market efficiency, the education system and labour market demand need to be brought closer together. That is why Montenegro has developed the VET system, which offers three

¹⁴ See www.ilo.org/budapest/whats-new/WCMS_740890/lang-en/index.htm

types of programmes: lower VET (two years), secondary VET (three and four years) and post-secondary VET (two years, following secondary VET). Most of the three-year programmes (18 out of 29 in 2019/20) are also offered in a dual form with compulsory work-based learning. Each curriculum allows for practical training in schools and businesses. In academic year 2019/20, 3 599 students were enrolled in three-year programmes (23% in dual education) and 15 247 students in four-year programmes. There are currently no students enrolled in two-year programmes. Every year, 50 students enrol in the first year of the Police Academy in post-secondary programmes. A recent evaluation of dual education in Montenegro (ETF, 2020c; ETF-ILO, 2020) had promising results: almost 60% of dual VET students found a job after graduation. However, some of the challenges that should be considered, based on experience to date, are a lack of interest from employers in some regions, not enough suitable partners from specific fields, and monitoring and evaluation of the quality of internships.

Studying abroad

Another important contributor to bridging skill gaps are youth mobility opportunities. Notable examples are Erasmus+ mobility programmes, which provide a wide range of student and professional exchanges, and voluntary and vocational mobility programmes. A large portion of young people in Montenegro have taken part in these exchanges since 2008.

The Grubel-Lloyd index¹⁵ reveals the extent of imbalances in student mobility between categories of countries (Owen, 2017). The value of this index for the mobility of Erasmus students is near 1 in Montenegro. Consequently, the country sends a much larger number of students abroad than the number received from abroad. This may indicate the strong willingness of young Montenegrins to study abroad.

A recent study conducted by the National Erasmus+ Office (2020) showed all the benefits of these exchanges. It specifically targeted student exchanges and how they affect not only programme alumni, but also the education system and higher education institutions in the country in the long term.

For Erasmus+ students, the mobility period is regarded as one of the most important phases of their personal development. At first glance, a limited mobility period from 3 to 12 months may seem short for it to play such an influential role. However, no matter how short it might be, it makes a drastic difference to its users and equips them with skills that have long-term life importance. Mobility helps students build their personalities. It is a challenging period that encourages young individuals to create or reinforce their personal qualities. It gives them courage to fight fears, advance further, rely on their own strengths, become independent and more confident.

In this way, mobility is important at personal level because students gain soft skills. In research conducted by the National Erasmus+ Office (2020), out of 15 soft skills offered, the top 5 that students from Montenegro acquired during mobility are communication, adaptability, problem solving, confidence and a positive attitude. All of these make exchange students better adapted to labour market needs and help them to stand out among other candidates. Employers often recognise the

¹⁵ According to the index, a country with a positive (negative) index value has a deficit (surplus) in terms of Erasmus student flows since it sends more students abroad than it receives in exchange. A value closer to 0 means that there is a balance. According to Owen, the value for Montenegro for 2013 was 0.98, due to a much higher number of Montenegrin students going abroad than foreign students coming to Montenegro.

importance of such engagements among young people and perceive them as more skilful and committed.

Exchange students also have a positive impact on their home institutions. On their return, they try to implement acquired knowledge and practices in their home universities. Some of the changes in curricula suggested by exchange students are interactive teaching, mandatory internships to gain practical knowledge, workshops, encouragement of field research and debates, free foreign language courses and the introduction of more elective, diverse courses to obtain broader interdisciplinary knowledge.

To assess the impact of student mobility, additional insight could be provided by analysing the effects of programmes such as Work & Travel. The programme enables students to work and travel during the summer in the USA. An interview with the Students' Business Club representative at the University of Donja Gorica revealed some of the main effects of this programme that could have a long-term impact on the labour market. The programme is seen as an additional practice that students should have. Due to promotion of this programme, 10% of students from the university participated in 2019. Students use the opportunity to earn money, but also to gain experience and new skills, learn languages, meet other people and learn about other cultures. The programme also enables students to reveal their talents. A large number of students believe that such programmes improve various skills and raise self-confidence, which they see as an important development resource. Many students who participate in the programme consider implementing some business ideas and innovations at the university's entrepreneurial hub on their return, generally in Montenegro.

5. EXAMPLES OF TRIANGULAR RELATIONSHIPS

Montenegro is characterised by immigration and emigration flows. In 2019, the country gave work and residence permits to over 27 000 foreigners, out of which around 56% were within the quota system and the rest outside of the quota system. In the same year, the total number of EU residence permits given for Montenegrin citizens was 3 882, out of which around 36% were for work reasons. In 2015, over 23 000 temporary residence permits were given for foreigners in Montenegro and 1 938 residence permits for Montenegrins in the EU-28. According to the results of cohort analysis, over 4 500 people left Montenegro between 2012 and 2019.

Judging from these numbers, the country experiences immigration and emigration flows at the same time, though significantly more immigration than emigration. Part of this pattern is linked to the replacement of emigrating Montenegrins by immigrants from the region, almost all working in similar service sector jobs. This has been noted at governance level. As a result, public employment services offer incentives for employers to participate in active labour market programmes and retraining. The aim is for immigrant workers to be replaced by unemployed and inactive citizens within the country. However, the response by employers has not been satisfactory so far and the immigration rates of foreigners in the four service sectors has remained high.

Thus, Montenegro experiences a specific characteristic of chain migration. The largest portion of employment opportunities in the country are in service sectors. Since one of the main Montenegrin economic sectors is tourism, labour market demand increases during the summer season. However, these jobs are usually characterised by low wages and sometimes undeclared. They do not attract the domestic labour force. Instead, domestic workers prefer to seek seasonal employment abroad, mainly in neighbouring countries (such as Croatia) or in the USA, which is more popular among young people and made possible by labour mobility programmes. This creates a labour shortage that is filled by immigrant workers from neighbouring countries. Citizens of countries such as Bosnia and Herzegovina, Serbia and North Macedonia, whose labour markets also suffer from high unemployment rates and low wages, are willing to take part in seasonal employment in Montenegro. It provides them with slightly higher wages than in their home countries.

The reasons for emigration and emigration patterns have been changing over the decades. Although there are many reasons for emigration, currently the main one seems to be poor performance of the labour market. Furthermore, the education system does not properly prepare students. Until recent changes, Montenegrin higher education did not provide practical knowledge. The results of the Programme for International Student Assessment (PISA) were very poor for Montenegrin 15-year-old students. Relatively high unemployment rates, low employment rates and skills mismatch also indicate problems in the functioning of the education system, which is undergoing some necessary reforms. Poor indicators of labour market functioning affect those who are just starting work: young people, who decide to emigrate in the absence of current opportunities in the country in the labour market or education. This is especially true of emigration to EU countries.

Migration has significant repercussions on the labour market. It contributes to a drop in activity rates and to depopulation, especially in the northern region of Montenegro. At times, those who emigrate do not fare well in the destination countries. According to the Strategy on Migration and Reintegration of Returnees in Montenegro for the 2021–25 period, many migrants come from municipalities in which there is a higher rate of poverty and higher unemployment. These are objectively perceived as the main push factors. Therefore, the main objectives of the 2021–25 strategy are harmonisation and

improvement of the legal framework in line with international standards, and further strengthening of institutional and administrative capacity for integrated migration management.

The recognition of these weaknesses related to labour market and depopulation of some areas has also influenced the development of policies. The aforementioned strategy recognises that, to avoid such situations and provide structured assistance to municipalities where it is most needed, the state's coordination role has to be strengthened. The practice for returnees should be harmonised. Apart from the northern region, the problematic situation of returnees has not been as significant in other parts of Montenegro. Therefore, municipal authorities and institutions do not have much experience with returned migrants. Experiences are limited to (ad hoc) individual cases, which do not require special records to be kept by the Ministry of the Interior. In such a situation, efficient solutions that would result in the desired effects of reintegration cannot be expected. Employees in most state institutions do not have the knowledge, equipment or ability to adequately respond to problems that arise in working with a vulnerable category of returnees in the reintegration process. Therefore, the new strategy envisages improvements in this area.

One of the consequences of emigration is a significant increase in remittances to Montenegro and increased dependence of the domestic population on this source of income. Reliance on significant inflows of remittances hampers labour market activity and discourages people from economic activity by increasing their reservation wage. The northern region, which is characterised by emigration, registers a significantly lower activity rate than the other two regions of Montenegro. This provides an opportunity for various active labour market measures. Many of these measures were implemented in recent years, while education institutions also cooperated with the Employment Agency of Montenegro to design new curricula and training programmes.

6. COVID-19 IMPACT

The Covid-19 pandemic has been accompanied by measures to stem its spread in many countries. This has had an impact on migration and, consequently, on the labour market of sending and receiving countries. However, it is difficult to assess this impact due to very limited data, especially on third-country nationals. We can assume that Montenegrin nationals working abroad (mostly in EU countries) have been affected to some extent by the crisis. One of the EU information seminars on this topic revealed that 'vulnerable communities including third-country nationals are especially affected by the pandemic'. The seminar showed that many EU countries have introduced temporary measures to prevent negative effects of the crisis. These include processing applications for residence permits and their issuance and renewal to stop legally staying migrants from falling into an irregular situation, and measures for migrants who have lost their jobs as a result of the pandemic.

Many immigration authorities have adapted their rules on lodging and renewing applications for residence permits and long stay visas for all categories of legal migrants (labour migrants, students/researchers, family migrants and other categories). For instance, the government of Luxembourg, a major receiving country for Montenegrin nationals, decided to extend the stays of legal migrants from third countries (with short and long stay visas, residence cards and residence permits) for the duration of the crisis. In addition, Luxemburg and Slovenia, which are both relevant for Montenegrin nationals, enabled access to unemployment benefits for those who have their residence permit renewed for a certain period of time.

Some countries that are of particular importance for Montenegrin citizens working abroad, including Germany, Luxembourg and Croatia, introduced general measures for flexibility in relation to a drop or loss of income due to the Covid-19 crisis. Third country nationals are covered by these measures. Slovenia adopted an act that prescribes the right of employers to have salaries subsidised, the right to a temporary cash benefit to support those affected, and other measures. Germany extended the duration of entitlement to unemployment benefits to three months.

Hence, it could be assumed that legal Montenegrin workers abroad are protected to some extent in the short term. This is confirmed by the stable level of remittances during the crisis. However, the reliance on remittances could still be damaging for Montenegro if the crisis continues. This is because remittances are used for different purposes. The main ones are maintaining or increasing household consumption, spending on health and education and alleviating credit constraints, which are all extremely relevant during the pandemic crisis.

The medium- and long-term impact is hard to predict. The duration of the pandemic influences the capacities of EU countries to protect workers, especially those who are third country nationals. If the crisis continues, some of the workers who become unemployed will not be in a position to extend their visa or work permit. This will be reflected in their income level, which is currently maintained through unemployment benefits to some extent. Additionally, it could lead to a reduction in the level of remittances due to worsening of the general economic situation worldwide.

Another aspect of the Covid-19 impact is related to the migration of Montenegrin students. The pandemic stopped the enrolment of Montenegrin students abroad. This is the most visible direct impact. The number of students enrolled in the first year of undergraduate studies at the University of Montenegro for academic year 2020/21 is 8% higher than the number of students enrolled in the previous academic year. A similar situation can be found in other universities. The rector of the

university considers that this is probably due to the current epidemiological situation. However, other impacts are difficult to assess, especially the long-term consequences of such changes.

The pandemic has created a notable change in the country's labour market. Recent research¹⁶ that compared figures from the first 26 weeks of 2020 with those from the previous year found that the employment rate in the second quartile of 2020 decreased by 8.6%. Those most affected were between the ages of 15 and 24. The number of employed in this cohort declined by 34.2%. Government measures were to maintain economic stability through support and funds. However, in the long run, lower economic activity and halted development might affect SMEs in the country. These are especially vulnerable to such dynamic changes, and a great number of them are fearing bankruptcy due to the new circumstances. Overall, this might further increase dissatisfaction among those who were already thinking of migrating abroad in search of a better living.

The current pandemic has influenced labour immigration. With increasing unemployment rates, a striking decline in GDP and other negative macroeconomic indicators, demand for the import of labour was much lower than its usual trends. Hence, the number of work permits issued for foreigners in the first half of 2020 was 61% lower than in the same period in 2019. In the aforementioned research paper, it was noted that 57% of surveyed employers believe they will face difficulties in finding seasonal employees. However, they were optimistic about replacing imported labour with the domestic workforce.

¹⁶ A subsystem of official statistics of Montenegro has been created for Covid-19 research (2020), see: www.monstat.org/uploads/files/publikacije/Kreiranje%20podsistema%20zvanične%20statistike_3dec_online.pdf

7. CONCLUSIONS AND POLICY RECOMMENDATIONS

In a society characterised by mobility of people and an increasing flow of information, migration is becoming an integral part of life. The scope and patterns of migration are increasingly complex. However, emigration should not be considered something negative, but rather an opportunity for development.

In this context, the position of some Montenegrin officials who mentioned a willingness to respond in the 'fight against migration' is problematic. As a rule, policymakers should support citizens who decide to migrate, because the free movement of labour can have a number of positive effects, primarily better utilisation of labour. Thus, policies should be geared towards managing migration in a way that maximises positive effects and minimises negative effects for individuals, the country of origin and the country of destination. Thus, clear policy actions are needed through a strategy for integrated migration management.

To obtain a policy-oriented approach to migration as something valuable, better data on migration flows are needed. However, the Montenegrin statistical system does not administer surveys or collect data on external migration. The annual plan of the Montenegrin statistical office Monstat needs to include activities to collect data on external migrations. It could even add a migration module to the LFS every few years. This also requires closer cooperation and synchronisation between the databases of the main institutions in charge of external migrations. Precise data on the detailed structure of migrants, the type of migration, reasons and other factors is a sound basis for efficient policies.

Although the problem of brain drain was mentioned by numerous stakeholders, there is no clear evidence on this issue. The only available information is on the emigration of doctors from the Montenegrin health system. The main reason for emigration is the labour market situation in Montenegro, in terms of low salaries and poor employment conditions. This situation causes migration of the highly skilled in some sectors (for example, doctors). Other factors apart from the labour market in Montenegro do not have a significant impact on labour migration. As the interviews showed and in Western Balkan countries in general, migratory movements would stop if wage differences between Montenegro and destination countries were eliminated or even reduced. An increase in funds for career development and professional education, and investments in infrastructure, research and development would also diminish readiness for emigration.

A proactive migration dialogue with the EU and particularly Germany would be beneficial. The new EU Pact on Migration and Asylum (European Commission, 2020b) may present an opportunity to develop such a dialogue. The pact proposes the launch of Talent Partnerships with interested third countries to help boost mutually beneficial international mobility (the Western Balkan region is specified), and to set up an EU Talent Pool for skilled third-country nationals. A bilateral dialogue with Germany, as the most important destination for Montenegrin emigrants, is also necessary. The government could seek positive externalities, like joint investment in skills development or re-importing skills acquired in Germany. The pact can guide this discussion by developing a talent partnership between Germany and Montenegro.

The study suggests that dynamic regional migration flows exist, including seasonal, temporary and circular flows. They often involve informal employment. Consequently, bilateral migration dialogues with key neighbours which sent immigrants into Montenegro would be useful to facilitate and improve movements and the conditions of short-term seasonal work.

Montenegro could manage migratory flows better by further regulating the labour market. To achieve this, the recently adopted Law on Foreigners should be implemented and monitored more closely. The law should allow for more flexibility, given the need to replace part of the highly educated workforce emigrating from Montenegro. In this context, even the new Strategy on Migration and Reintegration of Returnees in Montenegro 2021–2025 recognises the need for more significant facilitation of residence and work regulations for highly qualified workers and their families. This will make the country more attractive to foreign workers from the region and maintain its competitiveness and economic growth.

The action plan for the Strategy on Migration and Reintegration of Returnees in Montenegro 2021–2025 should be implemented without delay. Aspects on highly skilled labour are covered in the chapter on the Law on Foreigners transposing Council Directive 2009/50/EC on the conditions of entry and residence of third-country nationals for the purpose of employing highly skilled labour (Blue Card Directive). These aspects would apply before Montenegro's accession to the EU if the action plan were implemented immediately. The Blue Card Directive has been transposed into national legislation, but the amendments to the Law on Foreigners should enable its application.

In response to concerns about undeclared work, monitoring activities and implementation of strict punitive measures should be strengthened. The Directorate for Inspection Affairs is in charge of monitoring and carries out constant, continuous activities in all sectors where undeclared work can be identified. It acts to eliminate undeclared work, in accordance with the action plan for suppressing the grey economy in the market. As a significant number of immigrants are involved in this type of employment, reducing its trend would reduce the migration-ready domestic population and reshape the image of Montenegro as a destination country for labour migrations. This might attract better qualified immigrants.

Regulations under the Law on Foreigners stipulate annually planned quotas for work permits. Additional measures are required to secure efficient use of the domestic labour force first. It should be a priority to meet employers' demand with greater participation of Montenegrin citizens in total employment. This should be achieved without violating the principle of free labour mobility and employers' need for quality workers. One way to do this is to implement active employment policy measures, primarily through adult education and training programmes, and training to work for employers. This would reinforce the employability of the domestic labour force.

There is a need to further enhance the capacity of the public employment service (PES) to act as information and guidance providers to jobseekers considering working abroad. Given the EU acquis requirements with regard to Chapter 2 (Freedom of movement for workers), the European Commission's Montenegro 2020 report (European Commission, 2020a) noted that decent progress has been made so far. In terms of coordination of social security systems, the bilateral agreement with Romania on social insurance is yet to be signed, and amendments to agreements with Serbia and Bosnia and Herzegovina are to be concluded. In total, 25 bilateral agreements are already in force, 16 of which are with EU Member States.

Moreover, the European Health Insurance Card has been recognised under the Law on Health Insurance, which will only be introduced after Montenegro's accession to the EU. For additional training of PES staff on adopting and implementing the EU acquis related to EURES, the European cooperation network of employment services, the Department for EURES and International Employment Mediation within the Employment Agency hired another EURES manager and three advisors in the Podgorica, Bar and Bijelo Polje regional offices. The European Commission report suggests that structures should continue to be established and administrative capacity developed to implement EU acquis in line with the results of the EU support project on social security schemes and the Chapter 2 action plan.

It is widely assumed that public sector employees are more protected but less productive due to their safe workplace. This conclusion was drawn from several monitoring reports on public sector employment (MANS, 2017). Hiring and firing regulations in this sector seems to be very difficult due to rigidity and protection. More flexible conditions for job termination and for entering public sector employment could result in greater efficiency and productivity, and better service provision. If the public sector had a more efficient wage policy (including wage increases for employees in health, education, digital solutions and services in public institutions), professionals on whom significant funds are spent during the educational cycle would feel the benefits and emigration would be less likely. To achieve this, legislation must be improved and wage levels and employment conditions reviewed, which would open up new employment opportunities. The changes would affect the quality of services provided.

The lack of practical knowledge or work-based knowledge among recent graduates calls for reforms in the education system. Some improvements have been made to implement dual education and vocational education reforms. However, even vocational schools struggle to find partners in the business sector. Moreover, in a small labour market like the one in Montenegro, narrow specialisation may not be the best option for the medium and longer term. At the same time, the business sector complains about the lack of a qualified workforce. Hence, some actions should be taken to empower public-private sector cooperation. The needs of the public and private sectors can only be balanced if they both get more involved in the creation of sector policies and strategies through consultation. Policymakers have a recognised lack of relevant sectoral expertise. Overall awareness of the need for cooperation between stakeholders needs to be increased to find effective solutions.

Policies on the acquisition of human capital and skills should be strengthened, particularly outside the formal education system. Special focus could be given to transversal skills that could be used in different jobs. The education system should focus on tailoring skills to match current and projected future demand in the labour market, especially skills where fast gains could be made. Within the context of the recently adopted Smart Specialisation Strategy of Montenegro 2019–2024, changes are required to introduce new and continuing VET programmes (retraining opportunities for adult workers), especially in three priority sectors: sustainable agriculture and the food value chain, energy and sustainable environment, and health tourism. In the energy sector, engineers, production managers, technicians and construction workers specialised in solar, wind and bioenergy are needed. In the health sector, tourism specialists are required in the areas of spas and wellness, therapy and fitness, and customer services (ETF, 2021).

All efforts to secure better higher-paid jobs have the potential to curb economic migration. However, this cannot and will not happen overnight. Skills mismatch is relevant to the discussion in this paper. This is an issue that links education, training, employment and emigration and requires special attention. Improving the skill profile of the unemployed labour force may provide a solid path for easing

the skills mismatch problem. This approach can be achieved through an array of active labour market programmes offering training, requalification and new skills.

Labour market reforms are also necessary. Unemployed people are usually perceived as the key emigration driver. However, members of the employed population also emigrate. These people seem to be unhappy with the quality of jobs, the type of contracts and the career prospects. All these aspects deserve much more government attention and tailored flexibility, particularly for new business start-ups that generate jobs.

The policy framework for reintegration of returnees needs reforms. If conditions in the country push people towards emigration, it is very hard to believe that the same country would attract return migration. In the long run, emigrants desire to return to their country of origin can be increased by establishing communication with the diaspora, making an effort to optimise conditions for their return and providing opportunities for potential economic activity. Agreements on migration flows with major destination countries should be considered. Negative effects could be minimised by following the good practices of countries with high emigration flows that have tackled the issue efficiently, which benefits both sides. If managed properly, migration could be seen as positive in the future.

A much more proactive focus is needed on those who migrate temporarily. This group includes migrants who complete their education abroad and aim to return to the country, individuals who are acquiring internationally competitive skills, and entrepreneurs who bring with them developed business skills and external business networks. The loss of human capital through a large outflow from the labour market might be partly offset by developing incentives for these categories to return, support for international markets in the country, and the provision of transparent, tailored tax benefits.

One objective of policies should be to import skills. This does not mean importing labour, but a policy to subsidise degrees obtained abroad with a strong return component and an obligation to transfer learnt skills to the domestic economy. Likewise, the government may consider introducing a programme that offers opportunities to expatriates to return permanently or temporarily, to spill-over knowledge, skills and working culture in the domestic environment.

Several issues are associated with capacities for the efficient management of migration flows. The government and civil society need to raise awareness on all aspects of migration. Aside from institutions, workshops on this topic should be held at social level, especially for young people. This would address issues that concern a large portion of youth leaving the country. Workshops could be designed to divert people from the idea of emigration and to educate them on the many possibilities available in the home country. Young people show little ambition to start their own business or interest in informal education and extracurricular activities. Finance is lacking, which makes it hard to embark on these activities. Research and data collection in this area is crucial to draw conclusions and create policies. By following good examples drawn from practice and seeking advice from relevant international institutions, Montenegro could start to optimise migration flow effects. The issue should interest government and the NGO sector. Up to now, no NGO initiatives have been created on this topic. Inviting NGOs and other stakeholders to work together would provide the best results.

In one of the previous sections, the report mentioned a lack of trust in government institutions and corrupt hiring processes. This problem could be resolved by transparent recruitment procedures, information transparency and opportunities that are open for everyone. This would lower young people's disappointment in the country's situation. A new positive perspective would incentivise people to stay rather than moving abroad. Political stability, greater institutional efficiency and stronger economic prosperity is much needed. Governments and political actors need to be aware that current emigration intentions are strongly affected by these influences, which directly affect the quality of

everyday life. All institutional levels in Montenegro should work more on wider socio-economic goals and send positive signals to society and potential emigrants.

The most problematic regions and municipalities in the country should be a focus. These areas have the largest numbers of emigrants. The report identified municipalities in the northern part of Montenegro as the most concerning, because their emigration flows have caused depopulation of the area. The priority in fighting this negative trend would be to create favourable policies for businesses, investments in infrastructure and incentives for sustainable economic activities, aligned with the region's resources.

ANNEXES

Annex 1. Cohort approach methodology

There are no official (long-term) home-based migration statistics for Montenegro, particularly on the skills composition of migrants. Hence, for this report, data on skill-differentiated net migration were approximated and computed through a cohort approach. In this approach, age cohorts are identified and followed over time (for a more in-depth explanation, see Leitner, 2021). The cohort approach rests on the idea that, in the absence of fertility and mortality, any population changes are the result of migration. Consequently, migration dynamics can be deduced from population changes observable in official statistics. LFS data were used in this report. The rotating sample design in the LFS does not allow a person to be traced over time but the stratification and weighting scheme allows identification of representative groups (age cohorts) that can be followed.

In view of zero fertility and in the absence of substantial mortality, differences in the size of an age cohort between two consecutive years give a good approximation of cohort-specific net migration in a year. In this context, an increase in the size of an age cohort is indicative of net immigration. Conversely, a decrease in the size of an age cohort indicates net emigration. National LFS data were used for 2011 to 2019. The focus was the sub-population of people aged 15 to 39, which is characterised by zero fertility, little mortality and strong migration dynamics. In 2010 (the first year of the study period), this sample population was split into five five-year age cohorts: 15–19, 20–24, 25–29, 30–34 and 35–39. Each cohort was then followed over time until 2019. Every year, each cohort ages by one year. Eventually, in 2019, it has aged by nine years. The analysis reports results for the period 2012 to 2019¹⁷.

The cohort approach was applied to the sub-population of people aged 15–39. The population was further broken down into four educational attainment levels (ISCED-based): low (primary or lower secondary education), medium general (upper secondary general education/gymnasium), medium VET (upper secondary vocational education and training), and high (tertiary education). There is an ISCED break in the Montenegrin LFS data that mainly affects how medium general and medium VET educational levels are defined and classified. It mainly applies the two oldest age cohorts, for whom an aggregate medium education group was calculated, as the sum of the groups of medium general and medium VET.

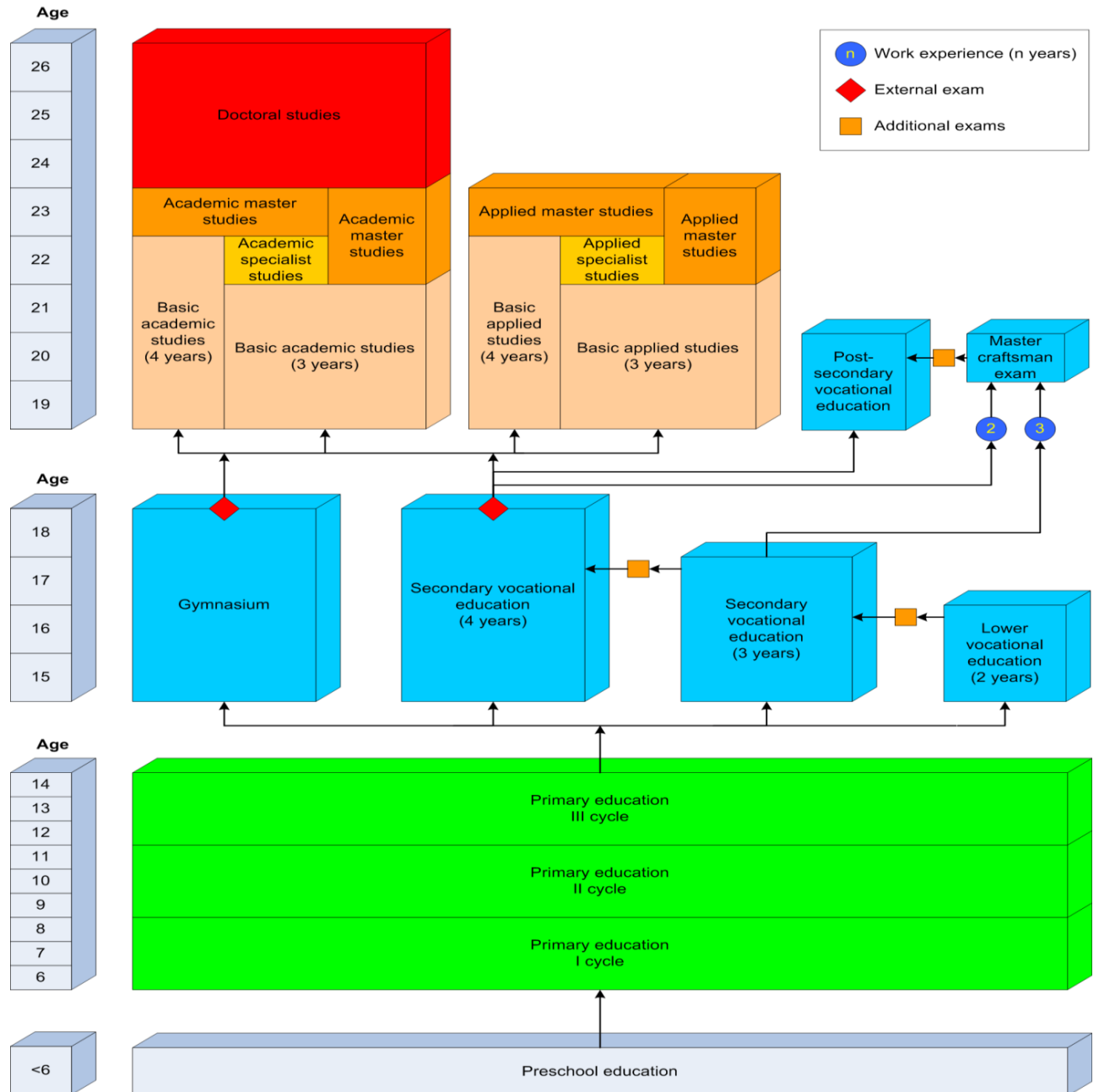
In the analysis at the more detailed ISCED/educational attainment level, complex changes in the skill/educational composition could be observed, particularly among the two youngest age cohorts and the newcomers (that is, those below 25 years of age). These changes are associated with educational transitions to higher levels as people graduate from one of the two secondary education tracks and either transit from low to medium general or medium VET or graduate from tertiary studies and subsequently transit from medium general or medium VET to high. These educational transitions were

¹⁷ In the standard cohort approach, newcomers are identified and analysed. Newcomers refers to new groups of young people aged 15 who, starting in 2011, enter the survey population each year, and age one year every year. Each of the newcomer groups every year from 2011 onwards is followed separately on a yearly basis until 2019 to guarantee that all relevant age groups, including those younger than the aforementioned five-year age cohorts (which would be part of the potential labour force) are captured and the net migration of these newcomer age groups is estimated. However, due to data limitations, newcomers could not be identified and are therefore not included in the analysis.

corrected using detailed education statistics so that they were not erroneously attributed to net migration.

Annex 2. The Montenegrin education and training system

The Montenegrin education system includes preschool, primary, general secondary education (gymnasiums), vocational education and higher education.



Source: ETF (2020a)

LIST OF ABBREVIATIONS AND ACRONYMS

ETF	European Training Foundation
EU	European Union
EUR	Euro (currency)
Eurostat	Statistical Office of the European Union
GDP	Gross domestic product
IAB	Institut für Arbeitsmarkt- und Berufsforschung (Institute for Employment Research), Germany
ILO	International Labour Organisation
ISCED	International Standard Classification of Education
LFS	Labour force survey
Monstat	Statistical Office of Montenegro
NGO	Non-governmental organisation
PES	Public employment service
SEE	South Eastern Europe
SMEs	Small and medium-sized enterprises
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USA	United States of America
USD	United States dollar (currency)
VET	Vocational education and training
wiiw	Wiener Institut für Internationale Wirtschaftsvergleiche (Vienna Institute for International Economic Studies)

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