

# LONG-TERM UNEMPLOYMENT IN NORTHERN MONTENEGRO

## FROM ANALYSIS TO ACTION



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# PREFACE

Montenegro has successfully completed the first stage of its economic transition by ensuring macroeconomic stability and implementing market reforms, but the country's labour market continues to be affected by serious structural deficiencies, including low activity rates, low female participation and regional disparities. Current figures indicate that 74.7% of the unemployed have been jobless for a year or more, a percentage that rises to 84.4% among women (Monstat, 2010). These statistics highlight a chronic problem with severe social and economic implications for the country. Long-term unemployment and low activity rates among women are particularly marked in the disadvantaged northern region of the country, where immediate action is needed. Clearly, the newly unemployed are failing to find even short-term employment.

While the national employment strategy includes a range of measures designed to support the unemployed (such as job matching, vocational training, employment counselling, public works programmes, and promotion of self-employment), the level and extent to which these measures will benefit the long-term unemployed remains doubtful because they are too general. More specific preventive and remedial measures targeting the long-term unemployed are necessary and must be evidence-based.

In 2010, having identified high long-term unemployment as one of the salient and chronic features of the Montenegrin labour market and in response to a request from the Montenegrin Ministry of Labour and Social Welfare (MLSW), the European Training Foundation (ETF) launched a project on long-term unemployment in the north – the most disadvantaged part of the country. This project is divided into the following two phases:

- an initial analytical study to take stock of the long-term unemployment situation in the northern region and make recommendations for short-term corrective measures (June 2010-June 2011);
- capacity building of key local actors by implementing some of the recommendations formulated in the initial study (June 2011-June 2012).

The present report deals with the initial analysis of the long-term unemployment situation in the northern region of Montenegro. The approach used was to focus on local conditions, zooming in on the situation in Kolasin, Plav and Rožaje, three northern municipalities identified by the MLSW. The study collected data on long-term unemployment in these municipalities, analysed recent developments and future perspectives, and reflected on the economic and social factors contributing to the persistence of unemployment and its damaging effects on individual employability, economic performance and social cohesion in the region. It also looked at cross-cutting themes that have an impact on more than one field, including issues related to gender and certain groups particularly at risk for long-term unemployment, such as ethnic minorities and older workers. The report makes a number of recommendations for both short-term corrective measures to enhance local employment and broader long-term policies.

This report was prepared by the Montenegrin expert Dragana Radević, who conducted the empirical work and drafted most of the chapters, and by the international expert Harry Theotokatos, who wrote the section concerning international good practice and elaborated on the recommendations. The report was finalised with contributions from ETF experts, Evgenia Petkova and Ummuhan Bardak. The final version of the report has benefited from the comments of the ETF peer reviewers Lizzi Feiler and Ali Ercan Su.

Invaluable inputs were made by the Ministry of Labour and Social Welfare, the Employment Agency of Montenegro, local government institutions, the representatives of local institutions, employers, civil society organisations as well as the long-term unemployed individuals from Kolasin, Plav and Rožaje who took part in the study and/or attended seminars and meetings organised by the project, providing opinions and specific information and data.

The ETF would like to thank everyone who contributed to the preparation of this report.

# EXECUTIVE SUMMARY

This report is the result of a study launched and implemented by the ETF in 2010 which consisted of both desk and field research and focused on Rožaje, Plav and Kolasin, three municipalities in the northern region selected by the MLSW. The findings were presented and discussed with a diverse group of government and non-government representatives on 2 March 2011 in Kolasin, and the report was finalised taking into consideration the comments received from all relevant national and local stakeholders.

The desk research reviewed the relevant Montenegrin and international literature, with special emphasis on the data regarding employment, education and the economy of the three selected municipalities. European Union (EU) good practices in local employment and economic development were also studied as this was regarded as an appropriate approach to the persistent long-term unemployment in the northern region.

Field research included focus group discussions undertaken to collect fresh empirical information and opinions as well as data on the needs and attitudes of the three target groups identified: (i) the registered long-term unemployed people (including women), inactive people and social benefit recipients who are able and willing to work; (ii) local self-government representatives together with representatives of the local offices of the Employment Agency of Montenegro (EAM), the centres for social welfare (CSWs) and the social councils; and (iii) representatives of employers and employer associations and of non-governmental organisations (NGOs). Three focus groups were conducted by local experts with the first target group of long-term unemployed, followed by a further three focus groups with the second and third target groups (local institutions and employers together) in November 2010. A total of six focus groups were organised (two in each municipality), with eight to twelve participants in each group. The following are some of the key findings.

- Persistence of high long-term unemployment and low labour market participation, especially in the case of women. Long-term unemployment in the region is due to many factors, but the collapse of the previous economic system and activities and the limited investment since this event are perceived to be the primary causes.
- Labour mobility is limited because there are no significant labour markets in the surrounding areas and seasonal jobs are not financially attractive or sustainable. However, there has been a high level of emigration to more developed areas of Montenegro.
- Clear preference on the part of employers for recruiting young people (those under 40) and immigrants from neighbouring countries who come to work as cheap labour in certain sectors (for example, construction).
- Parallel existence of two labour markets, but also in many instances of two business markets – legal and illegal and/or registered or unregistered.
- Illicit working activity of the registered unemployed and social assistance beneficiaries, although not in regular or formal employment.
- Some employers have a negative opinion of the long-term unemployed, who they consider lack motivation and willingness to work, and of social assistance benefits, which they believe are a disincentive to active job-seeking.
- Imbalance between the high number of job-seekers and the low number of jobs, as well as a skills mismatch between the supply of labour coming from education and training institutions and the demands of the labour market.
- The need for more specific, concerted and tailor-made efforts on the part of the central government to remedy the problems of outdated infrastructure and to put in place incentives to encourage businesses to employ more people as well as policies to increase credit and capital for small businesses and attract foreign investment.
- Many comments on the need for policies, initiatives, project ideas, marketing and investment to support both existing and new local agricultural activities and the tourism industry, which are considered to be the two most promising sectors in the region, and also on the need to link agricultural and tourism activities for business purposes.

A draft report was prepared with the results of the desk and field research and shared with key stakeholders. The validation meeting on 2 March 2011 confirmed the results of the study as presented above. According to the participants, the five main reasons for long-term unemployment were: (i) large scale closure of big companies; (ii) the structural shift towards a market economy; (iii) uneven development of the country, with most investment and foreign direct investment (FDI) going to other regions (only 4% of FDI came to the north); (iv) the difficulty of the natural landscape and transport infrastructure problems; and (v) the lack of any regional or local development strategy in harmony with national policies. The participants also contributed to formulation of the final recommendations, which are summarised below.

- Greater emphasis should be given to local development approaches in the northern region, an area that lags behind other regions in Montenegro, taking into consideration the framework of the recently adopted Regional Development Strategy, the experience of the development strategy implemented in the municipality of Rožaje, and the transferability of international good practice.

- The social welfare system needs to be reformed and rationalised to make formal work pay and to reduce the possibility of combining social benefits with additional earnings from temporary informal activities.
- The issue of unregistered business activities and informal employment should be addressed by a mix of carrot and stick policies, and in particular by stricter implementation of the existing rules.
- More investment and support for entrepreneurship are needed to promote job creation in the region. This could be achieved through initiatives aimed at facilitating access to credit, encouraging people who have the capacity and ability to be self-employed, and promoting strong involvement in future interventions by the local and regional business centres under the directorate responsible for the development of small and medium-sized enterprises (SMEs).
- The capacity of the EAM to implement more effective and outcome-oriented active labour market measures (ALMMs) and to undertake more sophisticated needs analyses should be strengthened at national and local levels.
- Education and training programmes need to be more responsive to labour market needs at both national and regional levels. In particular, missing skills must be identified and training needs analysed in the different sectors and regions. Direct links should be established with training providers.
- Higher labour mobility (both occupational and geographical) should be encouraged by providing incentives for young workers.
- Tailor-made measures are needed to address the specific needs of the long-term unemployed in the region because routine active labour market programmes are very general. Measures could include specific training delivery in the required fields and fine-tuning of subsidies to encourage employment of the long-term unemployed.
- Local stakeholders should be mobilised through the design and implementation of joint actions and local capacity building for self-help. Measures could include the creation of working groups of local stakeholders focusing on a single economic sector, a local business plan including value-chain analysis and business and marketing research, and the design and delivery of training based on needs assessment.

In conclusion, the results presented in this report highlight how critical it is to address long-term unemployment in the northern region, not only with specific local employment and economic development initiatives, but more importantly with a cohesive national strategy, including the effective implementation of Montenegro's new Regional Development Strategy and with the active involvement of all the key local community stakeholders by harnessing their human and material potential in the task of achieving greater socioeconomic and welfare development.

# 1. STUDY METHODOLOGY

The overall objective of the ETF study was to support Montenegrin authorities in the analysis of the situation and the development of a targeted policy to combat long-term unemployment with particular focus on gender issues and mobilising local resources. More specific objectives were to help strengthen local capacities for labour market analysis and to inform the design and preparation of specific projects and programmes at local level to combat long-term unemployment and increase the labour market participation of women. The study comprised four tasks.

- Analysing the relevant aspects of long-term unemployment in Rožaje, Plav and Kolasin, the three northern municipalities selected by the MLSW. The specific focus was equal opportunities for women and the mapping of policy implementation structures for local employment initiatives.
- Addressing obstacles to participation in employment and training, focusing on current practice and the local capacities to fight long-term unemployment, as perceived by the different stakeholders.
- Investigating the specific needs and requirements of people who have been unemployed for more than a year when they re-enter the workplace or participate in activation measures.
- Formulating policy recommendations based on consultative discussions with local and national decision makers and stakeholders as well as examples of international good practice. These recommendations should provide practice-oriented options for future actions to develop local employment initiatives, initiated and supported by sustainable local networks with special attention to the role of vocational education and training (VET).

The study was designed to promote a participatory and action-oriented approach, involving local actors in a joint analysis of local labour markets and the design of labour market activation measures. It has been fine-tuned following the guidance received from participants who attended the project kick-off meeting held in Podgorica on 23 September 2010 (see the list of participants in Annex 1). The methodology used was a mix of quantitative and qualitative analysis, and the study was divided into three stages: desk research, field research and validation of the main findings and conclusions through consultation with local stakeholders (the validation workshop).

## 1.1 DESK RESEARCH

Desk research consisted of a review of the relevant literature (reports, studies, etc.) and an analysis of qualitative and quantitative data. Data analysed at the national level included the following: (i) demographic data for each of the three target municipalities; (ii) economic data for each of the three target municipalities; (iii) employment data for each of the three target municipalities; (iv) national strategies and policies; and (v) relevant donor involvement in the target regions.

The activities and achievements of international organisations and projects active in the three municipalities were also classified as being associated with the following donors: EU (Labour Market Reform and Workforce Development Project); GIZ (Economic Development Project); United Nations Development Programme (UNDP); Food and Agriculture Organisation of the United Nations (FAO); Caritas Luxembourg; and the United States Agency for International Development. At international level, EU policies on employment were analysed with specific emphasis on local employment development in addition to some international examples of good practice relating to local employment development initiatives.

## 1.2 FIELD RESEARCH

The field research was conducted in the three target municipalities: Rožaje, Plav and Kolasin. The aim was to collect fresh empirical information on the opinions, needs and attitudes of the relevant local stakeholders regarding the problem of long-term unemployment. It included focus group discussions with three target groups: (i) registered long-term unemployed individuals (including women) as well as inactive individuals and social benefit recipients who are able and willing to work; (ii) local government representatives and representatives of the local EAM offices, social welfare centres and social councils; and (iii) representatives of employers, employer associations and NGOs.

### 1.2.1 Approaching local institutions and employers through focus groups

On the basis of the desk review, a list was drawn up of stakeholders in the three selected municipalities whose input could be of strategic importance to the project (see Annex 2). Focus group discussions were conducted on 18, 22 and 23 November 2010 in Kolasin, Rožaje and Plav with participants representing various institutions (local government, local EAM offices, social welfare centres, social councils, employers, employer associations and NGOs). Each focus group brought together eight to twelve participants and lasted up to two hours. The discussion was moderated by an

experienced professional knowledgeable about the subject. These discussions were recorded with the permission of the participants. The list of participants is provided in Annex 5.

Topics discussed included: (i) the current condition of the labour market in the region; (ii) the current situation of economic activity and industry in the region; (iii) the lessons learned from past or ongoing economic initiatives involving partnerships that resulted in increased employment opportunities; (iv) what realistic and practical local economic initiatives they could suggest at this stage that might benefit primarily, but not exclusively, the long-term unemployed and women, and the preconditions for such initiatives; and (v) the structure, process and resources needed to advance projects for economic development at the local level. Annex 3 provides the guidelines for focus group discussions with local institutions and entrepreneurs.

### **1.2.2 Approaching the long-term unemployed, inactive people and individuals receiving social benefit through focus groups**

Target groups of unemployed and/or inactive individuals and people receiving welfare support were approached through focus group discussions held in the three target municipalities on 18, 22 and 23 November 2010 (see the list of participants in Annex 6). The participants were individuals who had been registered as unemployed for a year or more, economically inactive people and social benefit recipients who were able and willing to work. The targeted distribution by gender was 65% women and 35% men, with all participants being of working age. Each focus group comprised between nine and twelve participants. The individuals were selected by referrals from local employment offices as well as through NGOs and personal contacts. These focus group discussions with target groups were not attended by representatives of any institutional stakeholder.

The topics discussed included the following among others: (i) personal employment and unemployment experience (duration of employment and unemployment, causes of loss of employment, barriers to employment, employment possibilities, preferred employment conditions); (ii) skills and knowledge (whether these meet the demands of local employers, the availability of courses and structures to improve skills and knowledge including entrepreneurial training); (iii) the participants' views on the current economic and labour market situation in the region – positives, negatives and potential; (iv) their experience with labour offices and social welfare services; (v) the type of support they need and cannot obtain; (vi) their views on starting up a business as an alternative; and (vii) their experience with training measures. Annex 4 provides the guidelines for focus group discussions.

## **1.3 VALIDATION WORKSHOP ON THE FINDINGS OF THE STUDY**

After the draft report was completed, the findings of the study were presented to a wide range of national and local representatives of government, business and non-governmental institutions at a validation meeting held in Kolasin on 2 March 2011 (Annex 7 provides the list of participants). The participants who attended the validation meeting confirmed the study findings and found them to realistically reflect the real situation. The comments and discussions of participants at this meeting contributed to the formulation of the final recommendations.

## 2. ECONOMIC AND REGIONAL DEVELOPMENT TRENDS

Montenegro is a small, open, service-based, middle-income economy in the process of a transition to a fully functioning market economy. Since the 1990s, the country has worked to create a business-friendly economy characterised by low taxation and minimal state interference. The government embarked on an ambitious programme of economic reforms, the most critical of which were the introduction of the euro as the official currency, price liberalisation, as well as the opening up and privatisation of the economy (ETF 2010, pp. 10-11).

By 2008 the Montenegrin economy had acquired the structure of a modern service economy driven by the tertiary sector, with 72.5% of the workforce employed in the service sector, 25.8% in manufacturing and only 1.7% in agriculture, mining and forestry. SMEs comprise the backbone of the Montenegrin economy, representing 99.8% of all registered businesses and producing approximately 60% of the national gross domestic product (GDP). The largest share of SMEs is that of microenterprises with under 10 employees (77% of the total), followed by small (9.6%) and medium-sized enterprises (2.8%).

The post-independence period in Montenegro was marked by high GDP growth, which reached double-digits between 2006 and 2008. This was driven mainly by foreign investment (gross FDI represented 40% of Montenegro's GDP in 2007) primarily in the country's coastal regions, which contributed to the growth of tourism, construction, real estate, telecommunications, catering and other services. Montenegro's economy has been severely affected by the global financial and economic crisis. Real GDP fell in 2009 by 5.7%, with industrial production contracting by about 32% following the sharp fall in mining and manufacturing activities (EBRD, 2011). Growth in the construction and tourism sectors is also estimated to have slowed significantly. The economy is expected to recover slowly, with real GDP growth of 0.5% in 2010, (an estimate from the Central Bank of Montenegro). Economic performance is expected to improve in 2011.

At the same time, the Montenegrin economy faces a number of challenges, such as a massive and inefficient administration, inadequate infrastructure, limited access to financing, corruption, and imbalances between supply and demand in labour markets. These challenges have been identified as the most problematic factors for doing business in the country. One of the features of economic activity in Montenegro giving cause for concern is the large size of the grey economy. According to a 2005 survey, the share of the informal economy in Montenegro was equivalent to about 25% to 30% of the registered GDP, with some economic sectors more prone to informal activities than others, such as retail (38.1%), agriculture (18.2%), catering (19.1%), construction (10.8%) and transport (9.6%) (ETF, 2010, pp. 10-11). Since this survey was conducted in 2005, the grey economy has been reduced through the reform of various administrative services and the completion of the regulatory reform. However, the recent global crisis imposed new challenges and has once again given rise to incentives and a climate in which unregistered business activities tend to flourish.

Based on the decision of the Montenegrin government and in line with EC directive 1059/2003 on the Nomenclature of Units for Territorial Statistics (NUTS), Montenegro is defined as a single NUTS region (entire Montenegro=NUTS 1=NUTS 2=NUTS 3). The official local government administrative divisions are 21 municipalities. However, the Regional Development Strategy for Montenegro adopted by the government in July 2010 identifies three geographical regions (the coastal region, the central region including the capital Podgorica, and the northern region) which, while they have no administrative standing, do have distinctive economic, social and demographic profiles (Ministry of the Economy, 2010, p. 5)<sup>1</sup>.

The tourist-rich coastal region has benefited from a boom in both foreign and domestic investment, which has also brought economic benefits to the central plains and the area around the capital. However, the northern, more inland area of the country has been largely unaffected by investment, economic growth and development. The transition from a centrally planned to a market economy led to the collapse of the large factories located in the region, and the emerging SME sector has been unable to absorb the available labour force and has given rise to a need for new skills and competencies. The northern region lags behind the rest of the country in almost all macroeconomic indicators. Analyses have suggested that it generates only 18% of the national GDP, attracts less than 9% of FDI and is home to approximately 17% of SMEs. Nonetheless, it is seen as having tremendous development potential due to its natural resources – primarily agricultural land, wood and cattle stock – and excellent conditions for winter tourism and ecotourism. However, there are several drawbacks, the most serious of which are listed below.

- The northern municipalities are the least developed in terms of infrastructure, including roads, water, electricity, and social services, such as health care and education facilities.
- It is the least populated region, with roughly one-third of the total population and slightly more than 50% of the territory.
- The region lags behind the rest of Montenegro in terms of both financial capital and human capital development.

<sup>1</sup> The northern region includes the following municipalities: Andrijevica, Berane, Bijelo Polje, Kolasin, Mojkovac, Plav, Pluzine, Pljevlja, Rožaje, Savnik and Zabljak.

# 3. THE LABOUR MARKET IN MONTENEGRO

## 3.1 EMPLOYMENT, UNEMPLOYMENT AND LONG-TERM UNEMPLOYMENT

The structure of the Montenegrin labour market is similar to that of most other Western Balkan countries, namely low activity (51.1%) and employment rates (41.3%) and high unemployment (19.1%) in 2009 for the population over 15 years of age. Unemployment increases with age and is more prevalent in the population with lower education levels, including those with primary or less than primary education as well as vocational education. In Montenegro, 78% of the active workforce is employed in SMEs (17.2% in microenterprises with less than five employees), 61.6% work in privately owned companies, and 36.6% in state-owned enterprises.

Job creation has not yet compensated for the jobs lost during the years of transition and restructuring, and it will be difficult to catch up in the current climate of reduced demand. GDP growth during the prosperous years of 2006-08 did not result in any increase in employment, confirming the jobless growth phenomenon observed in many transition economies. Tourism, agriculture, construction and trade are seen as the sectors with growing employment potential. SMEs, important generators of new jobs, are supported in the framework of entrepreneurship and start-up schemes.

In Montenegro, as in other countries in the region, informal employment plays an important role in the labour market, both distorting the overall picture and providing additional flexibility and a form of security for people who fail to find a decent job or any job at all. Informal employment is also a culturally tolerated way of avoiding paying taxes and social security contributions and evading the relatively inflexible labour laws<sup>2</sup>. The informality of the Montenegrin labour market takes three different forms: (i) employment in the informal sector, which includes work arrangements in unregistered companies and the activity of self-employed individuals who do not report their business activities to the tax authorities; (ii) informal employment in the formal sector, which refers to those employees who are not properly registered, usually to avoid the cost of social security insurance; and (iii) employment in the formal sector with underreported wages<sup>3</sup>. A survey published by the Institute for Strategic Studies and Prognoses in 2007 estimated that about 50 000 individuals are working as unregistered employees in formal companies or engaged in informal business activities. Most people working in the grey economy are registered with the EAM as unemployed and therefore enjoy health insurance benefits.

After almost a decade of declining unemployment (for example, from 30.3% in 2005 to 19.1% in 2009), the recent economic crisis has reversed the trend. Unemployment started to increase in September 2009, with the Labour Force Survey (LFS) reporting a rate of 19.2% at the end of the third quarter of 2010 (Monstat, 2010). Measures implemented by the government have so far prevented more severe consequences in the labour market<sup>4</sup>. Despite the fact that trends in employment and unemployment have not deteriorated drastically, in 2010 the number of advertised jobs declined by 26.63% over the previous year, employment of non-resident workers was reduced threefold, unemployment increased in the older cohorts and among young people, including those with higher education (MLSW, 2009).

To date there is no significant evidence that females have suffered more from the crisis. However, the younger and older populations were the first to be affected, while the cohort between 30 and 50 years of age was the last to feel the effect of negative trends. Two groups that were first to feel the pressure of the economic downturn were people who found employment in the last five years and those who have been working for over 30 years. The most significant rise in unemployment were recorded in Podgorica and Niksic, the two biggest administrative and economic centres, and in Budva, the main tourism destination. Surprisingly, data shows that university graduates were also affected by the crisis as their entry into the workforce was not accompanied by the creation of new jobs. The effect of the crisis on wages has not, to date, been very significant. Data show that average gross wage increased by 5.6% in 2009 and that the increase achieved during the first quarter of 2010 was 7.1%. However, a delay in payroll has been evident in both public and private sector (UNDP and CEED, 2010).

<sup>2</sup> A programme that included incentives in the form of exemption from social security contributions for the first year of a newly registered employee and a range of sanctions affecting employers has helped to reduce undeclared labour and promote the formalisation of jobs. The Pan-European Regional Council of the International Trade Union Confederation supported the efforts of trade unions to improve formal employment levels (ETF, 2010, pp. 18-22).

<sup>3</sup> In such cases social security contributions are usually paid on the minimum salary determined by the Labour Law and Collective Agreement while the actual wage paid is higher.

<sup>4</sup> Measures included: increasing the state capital budget as compared to the previous year; providing guarantees for SME loans with international development organisations; reducing public expenditures; reducing taxes and wage levies, and reducing personal income tax; in addition to several ALMMs.

The high level and persistence of long-term unemployment is a salient feature of the Montenegrin labour market (and others in the region). After Albania, the former Yugoslav Republic of Macedonia and Kosovo<sup>5</sup>, Montenegro is the country with the highest long-term unemployment in the Western Balkans, with this group accounting for 81% of total unemployed and 53% of registered unemployed in the second quarter LFS for 2009. This is due to a range of factors including the collapse of the processing industry, the lack of success of the privatisation process, the booming informal economy, limited and/or ineffective active employment measures, and the lack of new job creation. Approximately 10% of the long-term unemployed have been without a job for more than eight years. This group includes older individuals who are entitled to indefinite unemployment benefit until they retire, but also discouraged job-seekers.

Long-term unemployment and the low labour market participation of women are particularly marked in the disadvantaged northern region. The unemployment rate in the north in the third quarter of 2010 was 29.6% (compared to a national average of 19.2% and a rate of 10.3% in the south (Monstat, 2010). Similarly, according to the administrative data collected by the EAM (30 September 2010), registered unemployment was 11.72% compared to 10.32% on the same date the previous year. The highest unemployment rates have been recorded in Bijelo Polje (17.48%), the northern municipalities of Mojkovac, Andrijevica and Pljevlja (16.47%, 15.34% and 15.21% respectively), and Cetinje in the central region with 16.87% registered unemployment.

The greatest challenge facing the country is to achieve employment for long-term unemployed people, most of whom belong to the following groups:

- former employees of the large state-owned industries which collapsed in the early 1990s (textile industry, machine industry, crystal production) – some of these people are suitable for retraining through active employment measures;
- recipients of unemployment benefit from the EAM – these individuals are often uninterested in active labour measures; they have a somewhat passive attitude and tend to be only interested in receiving the monetary benefit;
- disabled individuals who receive a disability benefit in the form of a minimum pension and are registered at the EAM in respect of their working ability – for example, such people may have a 70% disability but must be registered with the EAM for the remaining 30%.

The EAM has been conducting employer surveys since 2003 in order to gain a better understanding of the labour and skills needs of businesses in Montenegro by consulting employers annually on labour and employment issues. Following are some of the most significant findings of the latest survey (EAM, 2010).

- High prevalence of indefinite-term employment contracts (80%) despite the dominance of seasonal industries (tourism, agriculture, construction), with a slight increase in fixed-term employment.
- Increase in the education level of the employed labour force (32% with post-secondary and tertiary education, 54% with secondary education, and 14% with lower than secondary in 2009).
- Labour force quality in terms of core skills does not reflect formal qualifications; for example, 30% of employers in tourism are not satisfied with the quality and low productivity of labour.
- Training and further education are serious casualties of the crisis; only 17% of employers in the sample provided training for a scant 1.8% of total employees, a fourfold decline with respect to 2008.
- Montenegro is increasingly a service economy: of the 47 500 vacancies reported in 2009, the trade, tourism, construction, finance and business, and transport sectors accounted for 34 300 (72%).
- The economic downturn has had an impact on employment, with 47 500 vacancies in 2009 compared to 64 800 in 2008. However, the employed population was 174 523 in 2009 compared to 165 641 in 2008.
- Less demand for university graduates. The education levels most in demand are III and IV (secondary education, ISCED 2 and 3). The occupations most in demand are tradespersons, chefs, nurses, butchers, drivers, bakers, crafts, foresters, wood processors, and wood-cutters. Newly employed people are mostly unskilled and working as chambermaids, sweepers, cleaners, security guards, etc.
- A mismatch between supply and demand in the labour market. There is a persistent deficit in II and IV level occupations (secondary ISCED 2-3) and unfilled vacancies, and a persistent lack of interest in these jobs and inadequate education of such personnel.
- Caution and reserve regarding the future coexists with expectations of 'modest demand' and 'some redundancies'.
- Slow change in the economic structure, with growth mainly in trade, hotels and restaurants, transport, communication and construction.

The need to improve skills in agriculture, food processing, construction, wood processing and tourism has been confirmed by many other studies. The tourism sector (accommodation, food and beverage, and travel), for example, accounts directly or indirectly for over 25% of the Montenegrin GDP. The findings of a recent labour market survey in tourism and hospitality (EAM, 2009) indicate the predominance of men as owners (84% men as compared to 16% women) although there are more female than male employees in the sector (52% as compared to 48% males)<sup>6</sup>. Some 40% of employers report problems recruiting adequate staff and filling job vacancies. The greatest demand is for

<sup>5</sup> Under UNSCR 1244/1999, hereinafter referred to as 'Kosovo'.

<sup>6</sup> The survey was conducted in 2009 by the EAM in cooperation with SNV Netherlands and the British Council in Montenegro (available at: [www.zzzcg.org](http://www.zzzcg.org)).

chefs/cooks, waiters, receptionists and travel agents, and the main reasons for the lack of suitable candidates for these vacancies is perceived to be the inadequate education of such personnel, the poor image of the sector, and the lack of interest in these occupations. In fact, the sector employs foreign labour to fill some of the vacancies. The surplus of highly educated potential employees is accompanied by a shortage of candidates with secondary vocational qualifications and above all a lack of skilled workers with post-secondary specialisation (EAM, 2009, p. 78). Foreign languages (English), business management, teamwork, organisational and communication skills and appropriate experience or practice are the core skills often reported to be lacking.

One of the initiatives intended to improve Montenegro's institutional readiness to fulfil EU employment and lifelong learning policies as part of the EU accession process is the EU-funded Labour Market Reform and Workforce Development Project<sup>7</sup>. This project has three components, as follows: (i) institutional capacity building to support employment and human resources development (HRD); (ii) establishment and implementation of local partnerships in four municipalities of the Northern region (Mojkovac, Bijelo Polje, Pljevlja and Berane); and (iii) development of career guidance in schools, the VET system and the employment service. The results of the project include the National Employment and HRD Strategy 2012-17, the National Action Plan for Employment 2012-13, training needs identified in 480 private enterprises (agriculture, food processing, construction, and wood processing), new vocational training curricula, local employment and HRD strategies adopted and implemented in four pilot municipalities (supported by a grant scheme for 12 active labour market policy projects to train at least 400 unemployed people), a National Career Guidance and Counselling Strategy, a career training curriculum for school teachers and EAM experts, and the establishment of the National Employment and HRD Council (with secretarial support from the MLSW).

## 3.2 RECIPIENTS OF SOCIAL ASSISTANCE AND INACTIVE PEOPLE

The following are the main social benefits in Montenegro:

- family material support,
- one-time social assistance,
- child allowance,
- universal birth grant,
- compensation for working and non-working women and for parents working part-time,
- personal disability benefit,
- carer allowance,
- assistance for professional rehabilitation and work facilitation,
- cash compensation for disabled war veterans,
- survivors' benefits,
- allowance for civilians disabled during wars.

The aim of social assistance and child allowance is to provide support for families, individuals, children at risk, and people facing social exclusion. Under the Social and Child Protection Law, the basic social protection benefit is family material support provided to the family when its members are incapable of working or can work but do not obtain sufficient income and have no property (means-tested benefit). The monthly benefit for a family with no income in 2009 was EUR 60.50 for families with one member, EUR 72.60 for two, EUR 87.12 for three, EUR 102.85 for four, and EUR 114.95 for families with five or more members. Children from families receiving family material support are also eligible for child allowance, which averaged around EUR 18.15 in 2009.

Following the amendment of the general collective agreement in 2010, the minimum wage for the normal working month of 176 hours cannot be less than 30% of the average wage in Montenegro over the previous six months, which equalled EUR 160 in 2010. Social assistance is comparable to the minimum wage; for example, the total family material support income for a four-member family with two children would amount to almost EUR 140, which is comparable to the minimum wage:

- social assistance to the family – EUR 102.85
- children's allowance – EUR 36.30 (2 x EUR 18.15).

The Ministry of Education and Sports makes available an additional EUR 90 to children from families on social assistance who attend primary or secondary school. Consequently, under certain conditions, the value of social assistance to socially vulnerable groups can equal the monthly minimum wage.

The number of social assistance recipients is increasing, mainly due to the rise in unemployment. According to the MLSW, the total amount paid out in family material support and child allowance in 2009 increased by 3.5% and 4.9%

<sup>7</sup> Labour Market Reform and Workforce Development for Montenegro, *Draft Interim Report, 1 August 2010–31 January 2011*.

respectively over 2008. For the first nine months of 2010, total expenditure on those two social benefits was EUR 15.2 million, which confirms the persistence in 2010 of the upward trend caused by the increase in the number of people receiving benefit. The area with the largest increase in social assistance recipients in 2010 was the northern region (family material support recipients, 6.6%; child allowance, 5.3%; health protection 6.4%). The northern region, which is home to one-third of the population and covers almost half of the country, accounts for two-thirds of benefit recipients in Montenegro.

Under the Employment Law and other relevant regulations, unemployed people registered with the EAM have the following rights:

- to be informed about employment possibilities and conditions under which they could get employed;
- to use EAM intermediary services to find work;
- to participate in active employment measures;
- to participate in activities and exercises preparing them for employment;
- unemployment benefit;
- health insurance.

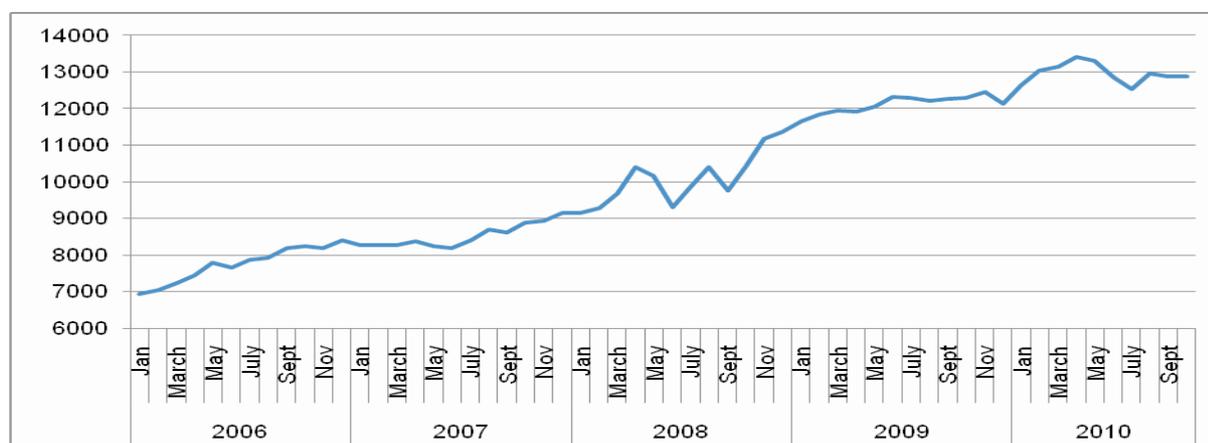
Unemployment benefit is paid to individuals who are unemployed due to no fault of their own and who worked (were insured) for at least 9 months continuously or 12 months with some interruptions during the previous 18 months if they register with the EAM within 30 days of stopping work. In addition, unemployment benefit is paid to disabled people trained to perform working activities in certain types of sheltered employment. In addition, unemployed mothers and mothers of full-time students receive benefit for a period of one year financed by the central budget (MLSW).

Unemployment benefit is equal to 60% of the minimum wage and includes payment of the recipient's pension insurance so that pension contributions are covered as long as the individual is receiving unemployment benefit. The duration of benefit depends on how long the unemployed worker has been insured prior to the beginning of the unemployment period. Unemployment benefits are paid for a limited period of time as follows:

- 3 months when insurance has been paid continuously for 9 months or at least 12 months with interruptions within the preceding 18 months;
- 4 months when insurance has been paid continuously for 2 years or for at least 4 years with interruptions within the preceding 5 years;
- 6 months after a continuous period of insurance of 5-10 years;
- 8 months after a continuous period of insurance of 10-15 years;
- 10 months after a continuous period of insurance of 15-20 years;
- 12 months after a continuous period of insurance of 20-25 years.

People with more than 25 years of pension and social security insurance receive unemployment benefits until they are employed again, or until the conditions for unemployment benefit cancellation are being met.

**FIGURE 3.1 NUMBER OF UNEMPLOYMENT BENEFIT RECIPIENTS IN MONTENEGRO, 2006-10**



Discussion at the validation meeting in Kolasin confirmed that unemployed people often become involved in the grey economy as they prefer to take on temporary casual work in the informal sector and retain their social benefits. This allows them to combine social benefits with low informal wages and if they accepted a formal job, most of which are low paid, their income would decrease. Many unemployed individuals are also eligible for training and they wish retain this right. The problem is that the provision of training does not result in more formally employed workers and fewer social beneficiaries because the benefit recipients tend to find informal work after training and remain formally unemployed to retain their social benefits. The problem of the discrepancy between the legislation on social and health care and active employment policy was raised many times in the discussions. Members of the working-age population should be actively working and not receiving social assistance. Thus, one of the recommendations made was that the labour market should be more closely monitored to prevent such abuses and to make formal work pay.

### 3.3 GENDER EQUALITY POLICIES

The statistics confirm the disadvantaged position of women in the Montenegrin labour market; only 42.6% of women are economically active, as compared to 58.8% of men; 33.9% of women are employed as against 43% of men; and 20.2% of women, as compared to 18.5% of men, are unemployed (Monstat, 2010). Possible explanations for these differences include the generous maternity leave allowed under the labour law (one year paid maternity leave), the lack of available part-time jobs (only 4.5% of all jobs are part time) and insufficient child care facilities. However, there are no gender-specific labour market measures or gender mainstreaming policies in place. Women also face obstacles when starting businesses. They have less access to loans and micro-credits because they lack the required guarantees; only 1% of real estate owners are women (EAM, 2007; and ETF, 2010).

Over the past decade, there has been progress towards a better understanding of the problems of gender inequality, and efforts have been made to integrate a gender component into key government policies and processes. Improvements have been made in the development and adoption of legislation, primarily the Constitution of Montenegro (enacted in 2007) and the Law on Gender Equality (also enacted in 2007). In addition, through the Department for Gender Equality Issues (Ministry for Human and Minority Rights) the government is continuously working to mainstream gender issues in national and local strategies, action plans and other policies, in compliance with international standards. The Action Plan for Achievement of Gender Equality for the period 2008-12 represents the framework for the development and implementation of gender equality policy at the national level in eight areas of concern, in line with the Beijing Platform for Action. Apart from the government mechanisms for promoting gender equality, the Parliamentary Committee for Gender Equality also makes a significant contribution in this area.

Despite all these efforts, women remain under-represented in decision-making posts and in the Parliament. Also, domestic violence and violence against women remains a critical issue. Moreover, there is a need for stronger and more determined action in the field of labour and employment because the economic independence of women is of key importance for the achievement of all other rights.

### 3.4 EDUCATION AND TRAINING

In the past decade, the education system has undergone radical reforms to bring its basic philosophy, legal framework, institutional infrastructure, learning content and outcomes into line with the evolving democratic values and market orientation of Montenegrin society. These reforms have been inspired by European and broader international practices.

While changes have been introduced into curricula, occupational profiles and standards, the reforms are still in progress and the Montenegrin VET system continues to face serious problems in responding to labour market needs. The 2009 LFS data published by the Statistics Office of Montenegro suggest that VET graduates are more likely to be out of work (27.3% of lower VET and 18.5% of secondary VET graduates) than those who have followed general school pathways (17.6%). These figures raise concerns about the relevance of the reform efforts so far and whether the outcomes produced by the Montenegrin VET system are adequate to meet the skills needs of the new economy. Furthermore, the number of people involved in lifelong learning is low, a situation further exacerbated by the small size of businesses (SMEs), which tend to lack both the knowledge and motivation to improve services and innovate (ETF, 2010).

In view of the importance of the tourism and hospitality sector in Montenegro, it is important to reiterate some of the key recommendations made in the 2009 survey of the tourism labour market (EAM, 2009), which stressed the need to make the following changes: improve the image and attractiveness of the tourism sector for workers; increase enrolment in vocational schools (secondary and post-secondary) to study core tourism occupations; enhance the capacity of specialised training centres to supply high quality practical training; and modify student admission policies in other fields and universities (establishing more stringent entry requirements). Finally, the report also recommended that greater emphasis be given to on-the-job training, particularly by the employers in the sector, who should provide training for their employees.

These recommendations were also confirmed in the 2009/10 employer survey (EAM, 2010), which highlighted the following needs:

- to reduce the mismatch between labour supply and demand by producing more skilled workers to fill existing vacancies, thereby obviating the need to import foreign labour – to achieve this aim, more graduates with secondary and post-secondary education are required and more emphasis should be placed on technical and VET occupations;
- to improve the skills and competences of young people during formal schooling by placing greater emphasis in the school curricula on core skills, such as information and communications technology, foreign languages, analytical and critical skills, and teamwork;
- to raise admission requirements for enrolment in higher education and the criteria for accreditation of higher education institutions, and put in place a monitoring and evaluation system;
- to encourage greater professional and geographical labour mobility by promoting skills improvement, on-the-job training and retraining and by providing subsidies for transportation and accommodation.

# 4. INSTITUTIONAL CAPACITIES AND CURRENT INITIATIVES IN THE LABOUR MARKET AT NATIONAL AND LOCAL LEVEL

## 4.1 POLICY IMPLEMENTATION STRUCTURE

Two key institutions play a central role in the Montenegrin labour market: the Ministry of Labour and Social Welfare (MLSW) and the Employment Agency of Montenegro (EAM). The EAM has branch offices throughout Montenegro. The MLSW develops policies in the following areas: labour relations; wages and other work revenues; private sector employment; the employment of foreigners in Montenegro and of Montenegrins abroad; labour protection; pensions for all types of work; international labour conventions; the social and child protection system and the protection of disabled people; international conventions in the area of social and child protection and the protection of disabled people; the implementation of programmes promoted by the United National Children's Fund and other international organisations; the activities of the Red Cross; the protection of soldiers and disabled military personnel; and related activities.

In addition, the MLSW is responsible for coordinating certain aspects of the social insurance system and monitors the following areas:

- the pension and disability insurance system in cooperation with the Pension and Disability Insurance Fund;
- the unemployment insurance system in cooperation with the EAM;
- policy for social protection of people with disabilities (direct protection is provided by public institutions);
- protection of mother and child and children's rights policy;
- negotiations on bilateral agreements for social insurance rights, etc.

The MLSW has four departments:

- Employment and Labour Market,
- Labour Relations,
- Pensions and Disability Insurance,
- Social Protection and Child Care.

The Department for Employment and Labour Market is responsible for coordination with the EAM. This department includes an adult education unit that was established with the aim to bring HRD policies into line with conditions in the education sector, including life long learning and VET.

The Department for Labour Relations is responsible for all the legal aspects of the labour market. Through this department, the MLSW deals with the following areas: monitoring and improving labour legislation; monitoring and enforcing EU conventions and directives related to labour; providing expert opinions on the implementation of legislation; working together with employer associations and trade unions to draft collective labour agreements; participating in social dialogue; misdemeanour procedures in the first instance in the field of labour relations and employment; monitoring labour inspection systems; second instance administrative procedures and appeals against the formal decisions of labour inspectors; and other affairs relating to regulations.

There is also a Labour Inspectorate Unit. The labour inspectorate has 8 regional units, 26 labour inspectors and 13 specialists in occupational health and safety in the workplace. Labour inspectors are in charge of ensuring compliance with the basic employment provisions and regulations as prescribed by the Law on Labour Inspection. Their job is to check on working conditions, including the termination of labour contracts, contracts with foreigners, health and pension rights, disability insurance, and the payment of social contributions required by law.

Social services are delivered by the CSWs. There are 10 public CSWs in Montenegro covering all 19 municipalities. Each CSW is responsible not only for the municipality in which it is located, but also for several surrounding smaller municipalities through affiliates called Services for Social Work, which work with the system's clients. Decisions are, however, taken by the corresponding CSW. In the case of the target municipalities, the local office in Kolasin is run by the CSW in Podgorica, while Plav and Rožaje each have their own CSW.

The CSWs make the first-instance decisions on awarding cash benefits, managing accounts, reporting to the MLSW, processing payments (paid to beneficiaries through post offices), and making home visits. They also plan, organise, and deliver social welfare services. Each CSW makes a monthly report on its activities to the MLSW, including information on the number of people receiving cash benefits. They are also obliged to make an annual report on the overall activities carried out during the previous year and submit a plan for the coming year.

The EAM is the national public employment service responsible for the implementation of the Law on Employment, other labour regulations including health, pension and the rights of people with disabilities. Its main functions are as follows: employer–employee mediation; preparing the workforce for employment; research, planning and development; ensuring insurance rights in the case of unemployment; offering professional information and guidance through specialised centres that are currently only operational in Podgorica and three locations in the coastal region (Bar, Herceg Novi and Kotor); statistics (unemployment and employment); forecasting labour market demand and skills needs; data processing for the preparation of statistical and other reports; information and analysis. The EAM is accountable to the MLSW, and its budget is allocated by the Ministry of Finance.

In 2010, the EAM had a budget of EUR 32.6 million and a staff of 339 (giving a client/staff ratio of 91.6). The total budget for the EAM in 2011 according to the Draft Budget Law will be EUR 27.3 million, 16.2% less than last year. There are 7 labour bureaus and 14 local offices operating across the country<sup>8</sup>, and the head office is located in Podgorica. The municipalities of Rožaje, Plav and Kolasin have local offices rather than labour bureaus; the local offices in Rožaje and Plav come under the authority of the labour bureau in Berane, while the local office in Kolasin is the responsibility of the Podgorica labour bureau.

There are no private employment agencies in any of the three selected municipalities. In the field of adult education and training, there are only two companies, both located in Rožaje, which are in the process of obtaining licences from the Centre for Vocational Education and the Ministry of Education. One of these, which offers training in the areas of wood processing and construction, is in the final stages of this process. The other, which has only just started the process of obtaining a licence, deals with training in the fields of computer skills and foreign languages.

The following are some of the EAM activities that support unemployed people, increase overall employment and improve the quality of the labour force.

- Information sessions attended by all newly registered unemployed people to inform them about EAM services and to stress the importance of active job-seeking. In nine months in 2010, almost 6 800 newly registered unemployed individuals attended such sessions in small groups of 15-20 people.
- Motivational workshops aimed at informing the unemployed about the characteristics of the labour market and motivating them to take part in active employment measures and job search.
- Personal interviews and employment plans for each unemployed person. Employment advisers develop individual employment plans on the basis of structured interviews. By September 2010, almost 27 500 interviews had been conducted, 46 500 employment plans developed, and nearly 70 000 employment plans implemented. Every unemployed person has his or her own personal employment plan<sup>9</sup>.

The EAM also organises training activities, often in collaboration with employers. Most of these courses focus on jobs in the construction and service industries and the most sought after are those in information and communications technology and foreign languages. EAM also organises information and motivational workshops to strengthen the self-confidence and self-respect of the long-term unemployed in order to improve their communication and interaction skills, support their personal and professional development, and improve skills favouring participation and teamwork rather than competition. In addition, students learn how to present themselves to an employer, how to write a curriculum vitae and a job application in addition to other essential skills. In nine months in 2010, 76 seminars for the long-term unemployed were attended by 904 people in the country as a whole. No such seminars were held in Kolasin and Plav, but seven were held in Rožaje attended by 94 individuals who had been unemployed for more than one year.

<sup>8</sup> These are located in Bar (with offices in Budva and Ulcinj), Berane (with offices in Andrijevica, Plav and Rožaje), Bijelo Polje (with an office in Mojkovac), Niksic (with offices in Plužine and Šavnik), Pljevlja (with an office in Zabljak), Podgorica (with offices in Kolasin and Cetinje), and Herceg Novi (with offices in Kotor and Tivat).

<sup>9</sup> More information on this topic is available in the regular quarterly and monthly reports issued by the EAM.

**TABLE 4.1 EAM AND CSW PUBLIC OFFICES DELIVERING SERVICE AT THE LOCAL LEVEL**

	Number of employees	Qualification structure of employees	Number of registered unemployed	Number of families on social assistance	Client/ staff ratio
<b>EAM office Plav</b>	2		428		214.0
<b>EAM office Kolasin</b>	4	VII – 2 VI – 1 IV – 1	635		158.8
<b>EAM office Rožaje</b>	5	VII – 2 VI – 1 IV – 2	1 025		205.0
<b>CSW office Plav</b>	14	VII – 7 VI – 2 IV – 2 III – 2 I – 1		624	44.6
<b>CSW office Kolasin</b>	7	VII – 4 IV – 3		270	38.6
<b>CSW office Rožaje</b>	8	VII – 3 VI – 2 IV – 3		1 853	231.6
<b>EAM (national level)</b>	<b>339</b>		<b>31 069</b>		<b>91.6</b>
<b>CWS (national level)</b>	<b>317</b>			<b>13 714</b>	<b>43.3</b>

The CSW and EAM offices in the target municipalities are located in the same buildings or are relatively close to each other. This facilitates cooperation and information exchange. The information exchanged relates primarily to the unemployed, since the majority of CSW beneficiaries are also registered with the EAM. Currently, data is exchanged only at the request of either party, and neither office has automated access to the records of the other. Consequently, the exchange of information has not been as efficient as it might be. However, during the focus group discussions, representatives of the CSW and EAM offices evaluated the cooperation to date as good, and both stressed the need to update the Law on Social and Child Protection.

Applicants for social benefits must undergo a rigorous income and asset test, also called a means test. This test is supplemented by other checks that further limit eligibility for social assistance. Proof of unemployment status or registration with the EAM is one of the checks used. Requiring applicants to register as unemployed is a way to ascertain that they are not working or receiving any formal income. If the applicant is not registered as unemployed, the application will be denied (in the case of one-member families). Unemployment registration is also a way to ensure that able-bodied recipients of social assistance are actively looking for work because it ensures that have applied to the EAM and can potentially make use of employment services. The EAM could classify these individuals as a special group and specific services could be tailored to meet their needs.

## 4.2 REGIONAL DEVELOPMENT INITIATIVES

As mentioned above, the regional development strategy for the period 2010-14 approved in July 2010 will be implemented under the guidance and management of the Department for Regional Development in the Ministry of Economy. The three main goals identified by the strategy are balanced development of all local government units and regions, rapid development of less developed local government units and regions, regional development, and environmental protection (Ministry of Economy, 2010, p. 12). The implementation of the strategy is expected to be fostered by the recently adopted Law on Regional Development.

Good coordination between local and national government institutions will be of crucial importance for the successful implementation of the strategy. The lack of capacity for strategic planning at local government level must be addressed. The two existing regional development agencies established by donor-driven projects should also be involved, namely, the Foundation for the Development of Northern Montenegro (FORS); and the Regional Development Agency for the Bjelasica and Komovi Region<sup>10</sup>. The local government authorities are also among the founding members of these agencies, although they do not, as yet, contribute to their financing.

The role of the social partners is also important. None of the three largest employer organisations in Montenegro – the Union of Employers, the Montenegro Business Alliance, and the Chamber of Commerce – have branch offices in the target municipalities. The Confederation of Autonomous Trade Unions of Montenegro has set up branches in all 21 municipalities in Montenegro, including in Kolasin, Rožaje and Plav.

As part of the Labour Market Reform and Workforce Development Project implemented under the Instrument for Pre-Accession Assistance (IPA) 2008 centralised national programme, local employment and HRD strategies are currently being implemented in four selected northern municipalities (Mojkovac, Bijelo Polje, Pljevlja and Berane). These were developed by the local partnership groups for employment and HRD as part of the activities undertaken to support the MLSW in cooperation with other stakeholders in Montenegro. The United States Agency for International Development is also implementing a Local Economic Development Programme (launched in November 2010) in the northern region to strengthen the agriculture and tourism sectors through workforce development. At present, community consultations are ongoing in preparation for the creation of working plans. Other similar projects in the region include the Regional Development Agency for Bjelasica, Komovi and Prokletije Region funded by the Austrian Development Agency, and the VET strategy and improvement of VET training in tourism and agriculture in north-eastern Montenegro funded by the Luxembourg Development Agency.

## 4.3 REGULATION AIMED AT INCREASING THE EMPLOYMENT OF HARD-TO-PLACE PEOPLE

The Law on Vocational Rehabilitation and Employment of Persons with Disabilities was passed in July 2008. The aim of this legislation was to create conditions for successful vocational rehabilitation, employment and equal participation in the labour market of people with disabilities, removing barriers and creating equal opportunities. In August 2009, the following regulations developed to create unique and standardised systems and infrastructures for the professional rehabilitation and employment of disabled and hard-to-place people were approved in order to implement the law:

- conditions and criteria for determining the work capacity and opportunities for the employment of people with disabilities;
- conditions governing and ways of exercising the right to professional rehabilitation;
- detailed conditions, criteria and standards governing the implementation of vocational education measures and activities;
- conditions to be fulfilled by institutions for vocational rehabilitation, work centres, sheltered employment;
- detailed conditions governing and ways of exercising rights to wage subsidy for people with disabilities.

The following measures will be undertaken to increase the employment of this group:

- a programme for the long-term unemployed,
- public works for disabled people,
- loans for disabled people,
- financing facilities and equipment,
- wage subsidies,
- job fairs for disabled people.

At the same time, the government also designed tax incentives to support the employment of the local workforce. The implementation of these incentives will stimulate the employment of hard-to-place people, whose share in total unemployment is 50%. A new provision on subsidies is aimed at people under 40 who are hard-to-employ. There are 17 000 such people registered with the EAM. The new regulation includes Roma, Ashkelia and Egyptian populations, people who have been made redundant, individuals engaged in public work, and those with more than 25 years of service who have become unemployed. The aim of the regulation is to stimulate the employment of the local workforce, especially in seasonal jobs. This regulation will promote employment for 4 500 to 5 000 people<sup>11</sup>.

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<sup>11</sup> Decree on subsidies for the employment of certain categories of unemployed persons, approved by the Government of Montenegro on 17 March 2011.

# 5. ECONOMIC ACTIVITY AND LABOUR MARKET: TRENDS AND CHALLENGES IN ROŽAJE, PLAV AND KOLASIN

This chapter provides background information on the economic and labour market situation in the three target municipalities in the northern region.

## 5.1 THE ECONOMIC ACTIVITY IN THE SELECTED MUNICIPALITIES

According to Central Bank estimates, Montenegrin GDP in 2010 amounted to EUR 3 025 million and was based more on services than on industry or agriculture. As shown in **TABLE 5.1**, the contribution of the northern region to the national GDP in 2006 (FORS, 2008, p. 80) was EUR 248.04 million or 12.4% of the total of EUR 2 003.50 million. The GDP contribution of the three target municipalities was EUR 33.12 million or 1.7% of the GDP.

**TABLE 5.1 MONTENEGRO GDP BY MUNICIPALITY, 2006**

Municipality	GDP (€ million)	Mid-year population	GDP per capita (€)	Share in northern region GDP (%)	Share in national GDP (%)
Kolasin	12.20	9 537	1 279.1	4.9	0.6
Plav	5.73	13 963	410.6	2.3	0.3
Rožaje	15.19	23 283	652.2	6.1	0.8
<b>Northern region</b>	<b>248.04</b>	<b>19 240</b>	<b>1 289.2</b>	<b>100.0</b>	<b>12.4</b>
<b>Montenegro</b>	<b>2 003.50</b>	<b>624 240</b>	<b>3 209.5</b>	<b>807.7</b>	<b>100.0</b>

According to FORS (2008), the northern region has by far the largest percentage of arable land in Montenegro with 77.5% of the total arable land in Montenegro (66.5% in the northern region) and 73.2% of the total pasture (57.4% in the northern region). In 2006, the three target municipalities accounted for 42.45% of the cereals, vegetables and fodder produced in the northern region. These areas are also leading producers of plums, apples and pears. The three target municipalities had 62% of the northern region's beehives, nearly a quarter (23.8%) of the cattle, pigs and sheep, and only 7.5% of the poultry. In 2006, Kolasin and Plav had two agricultural cooperatives each, and Rožaje had five.

The northern region is very rich in minerals and ores, particularly coal, and Kolasin has reserves of decorative stones. The mountainous terrain of the northern region and the harsh winter climate makes construction and maintenance of the transport infrastructure difficult. Kolasin is the only municipality connected by railway. The region has no industrial infrastructure, such as technological parks and business incubators. There are, however, industrial zones in all of the municipalities, generally designated by planning documents. Kolasin has six factories bottling mineral water, and Plav and Rožaje have one each. Only Kolasin has designated industrial zones. Plav has five industrial complexes in total (Alpe, Obod, Terplot, Intekst and Titex) (FORS, 2008).

Finally, it is universally recognised that the northern region has great potential for tourism due to its natural beauty. For instance, Kolasin has the Biogradska Gora national park (set up in 1952), an area of 5 400 hectares and one of three last ancient forests in Europe. Almost 10% of Montenegro's territory enjoys some kind of protected status (FORS, 2008). Despite this natural beauty, in 2006 only 4% of tourists visiting Montenegro visited the region, with two municipalities, Zabljak and Kolasin, attracting most of the visitors (65.5%). The region has only 2.9% of the country's hotel beds and 17% of its hotels and restaurants, although there has been a trend towards the establishment of small private hotels in recent years (**TABLE 5.2**). The three target municipalities have a relatively high percentage of the hotel beds in the northern region (29.3%), but very few restaurants and hotels: 23 out of the 232 in the northern region (9.9%).

**TABLE 5.2 TOURIST INFRASTRUCTURE IN THE NORTHERN REGION, 2006**

<b>Municipality</b>	<b>Number of beds</b>	<b>Share in northern region (%)</b>	<b>Number of hotels and restaurants</b>	<b>Share in northern region (%)</b>
<b>Kolasin</b>	532	15.0	5	2.1
<b>Plav</b>	274	7.7	6	2.6
<b>Rožaje</b>	233	6.6	12	5.2
<b>Total for the 3 municipalities</b>	1 039	29.3	23	9.9
<b>Northern region</b>	3 538	2.9 <sup>1</sup>	232	17.0 <sup>1</sup>
<b>Montenegro</b>	<b>120 270</b>	<b>97.1</b>	<b>1 356</b>	<b>83.0</b>

(1) Share of national.

Source: FORS, 2008, p. 101

The development of tourism in the north of Montenegro to increase economic growth and employment levels is still a distant aspiration because of the region's underdeveloped infrastructure, the absence of any strategy to develop its tourism capacity, the limited infrastructure for tourism, and the lack of any interest on the part of foreign investors in investing in the sector. The region also faces another very difficult economic barrier. According to an SME sector needs survey conducted in 2007 by the Centre for Entrepreneurship and Economic Development in cooperation with FORS in the northern region, unfair competition in the form of the grey economy represents the biggest obstacle for registered company activities. Besides informality, there are other barriers the survey respondents considered to be significant obstacles to business development, including high taxes and social security contributions, administrative hurdles, frequent changes in the legal and regulatory framework, and poor infrastructure (FORS, 2008, p. 89).

One section of the FORS survey addressed non-registered companies in the northern region. The results revealed that most unregistered companies have never tried to register their business. The reasons most often cited were the high cost of registration, high value added tax and personal income tax and the limitations and/or costs of dispute settlements. Even now, the owners of most unregistered businesses are not interested in registering. The biggest problem for setting up a business is the lack of money but also the lack of ideas and knowledge. The promising sectors in the region that survey respondents cited as having the potential for new businesses were agriculture and fishing, the wholesale trade along with tourism and catering.

Banks that do business in the region are mainly oriented towards corporate and personal banking services. Services for individuals are principally loans, savings, credit cards and current accounts. The main services offered to corporate clients are loans, guarantees and deposits (FORS, 2008, pp. 90-92). Microcredit institutions play an important role in the northern region, particularly because of credit programmes tailored to agriculture projects. According to data concerning the loans approved in Montenegro as a whole by microcredit institutions in 2006, 26.1% were in the northern region.

Finally, to underscore the underdeveloped situation of the three target municipalities, the development index of each Montenegrin municipality used in the regional strategy document shows that, on the basis of 100 for Montenegro, the index was 70.94 for Kolasin, 57.59 for Rožaje and 20.27 for Plav (FORS, 2008, p. 82)<sup>12</sup>. In contrast, the index for Podgorica was 145.94 and Budva had the highest with 362.40.

<sup>12</sup> The indicators used to calculate this index were: income per capita, unemployment rate, budget revenues, general migration of population, and the education rate of the population.

### 5.1.1 Rožaje



Located in the far north-eastern corner of Montenegro, the municipality of Rožaje has an area of 432 km<sup>2</sup>. In 2003, the municipality had 22 693 inhabitants, 9 121 in the city proper and the rest in surrounding towns and villages. According to Monstat data, the population of Rožaje increased continuously between 2003 and 2009, with somewhat faster growth in the male compared to the female population. In 2009, 50.5% of Rožaje's inhabitants were male and 49.5% female. The age structure was relatively good: older inhabitants (at least 51 years of age) accounted for 18.9%, a figure below the national average of 29.2%; children (under 14) for 26.0%, and youth (15-24) for 18.6%, both figures above the national average (19.3% and 15.0% respectively). Rožaje is situated on the main road connecting Montenegro with Kosovo, known as the Rožaje–Kula–Peć road. There are two secondary and ten elementary schools in the region.

In the past, Rožaje's economic development was based on the forestry sector, including the sale of raw wood as well as prefinished and finished wood products. Development was centred on the Gornji Ibar industrial complex, which at that time employed more than 2 000 workers. During the transition years, the production methods used in Gornji Ibar were shown to be inefficient, and in recent years the complex has become not only an economic failure but also an ecological problem. A similar fate awaited several other enterprises, including Dekor (paper production), Kristal, Auto-servis, and FMD (a factory producing metal components). The total number of companies registered in Rožaje in 2010 was 486, of which 32.9% were in trade and the maintenance sector, 27% in processing, 7.2% in construction, transport, storage and communication, while only 6% were registered in the category of hotels and restaurants.

Today, the municipality's economic development is based on SMEs involved in the area of wood processing, tourism and organic food production. Most of the wood processing businesses are private companies with an annual capacity of up to 150 000 m<sup>3</sup> of wood. Some of the 200 private production facilities have built a reputation for the production of prefabricated wooden houses and other finished wood products. A municipal development strategy has been approved by the local government to implement a strategic plan for the future development of Rožaje. The key strategic areas for economic development in this municipality specified in that document are as follows: agriculture, organic production, tourism and wood processing. One of the areas of particular interest to local business people is project design and construction. In order to stimulate economic development, new local regulations were introduced to reduce local taxes, abolish the tax on agricultural production in order to support this industry, and introduce the payment of local taxes in several instalments, among other measures. Despite these changes, local business people still think that the taxes are too high and represent an excessive burden on business and an obstacle to development, while at the same time giving rise to illegal construction.

There is entrepreneurial spirit in Rožaje and there are initiatives for opening SMEs. However, the municipality faces at least two other very serious problems, namely, the small size of the market and poor financial solvency. The lack of finance creates problems in marketing and sales, and in some sectors the situation is exacerbated by unfair competition from the grey economy. Moreover, as in other municipalities, development in Rožaje is limited by a lack of liquidity and poor access to credit as a result of the global crisis. For production companies, the obligation to pay value added tax on inputs before they sell the product is seen as an obstacle to doing business.

### 5.1.2 Plav



Located in the south-eastern part of Montenegro, Plav has an area of 486 km<sup>2</sup>. In 2003 the population was 13 805 inhabitants, with 3 615 in the town of Plav. Gusinje, the other important town, had 1 704 inhabitants. There are 23 other smaller settlements. The period between 2003 and 2005 was characterised by a gradual decrease in the population, but in 2008 the number of inhabitants rose again. The population recorded in 2009 was lower than that of 2008 and the gender structure was balanced, with a female population of 50.3%. The age structure in Plav is relatively good compared to the national averages; the middle-aged cohort (25-50) accounted for 32.9% of the population; older inhabitants (at least 51 years of age), 26.4%; children, 22.5%; and young people, 18.5%. There are three elementary and one secondary school in Plav.

In Plav, the pre-transition economy has been reduced to a minimum or has simply disappeared. The wood processing firm ŠIK Bor (now with under five employees), along with AD Plavsko Jezero, Titeks and Termoplast employed most of the local population. Since they were privatised almost all of these companies have been bankrupted or disappeared. Various other associations have also disappeared. The future economic development of Plav municipality is based on its potential as a centre for tourism, as well as agricultural production and forestry. There were 113 companies registered in Plav as of 30 June 2010, of which 48.7% were in the trade and maintenance sector, 8.8% were hotels and restaurants, and wood processing only accounted for 8%.

As explained at the validation meeting, the Municipality of Plav in the 1960s was a more attractive tourist destination than the seaside resort of Budva – Montenegro's current top tourist destination – and the winter resort of Žabljak in the north. More than 50% of Montenegro's ski slopes are located in Plav, but the stations need to be developed and improved. The privatisation of Plav's catering facilities was bad and this unused potential now needs to be developed. As part of the Prokletije National Park, Plav has excellent potential for ecotourism and for the collection and sale of non-timber forestry products, including medicinal herbs and mushrooms.

For its future economic development, Plav could focus on the development of tourism and the hotel industry, as well as agriculture and forestry. In order to further increase employment, there is a need to rationalise local government administration. Under the new Law on financing local self-governments, various taxes will be abolished to stimulate economic activity. According to the stakeholders consulted in the course of this study, Plav did not receive adequate attention from the state aid programme. The support for companies was provided by state funds through commercial banks which were accorded the right to assess the risk associated with a project. Due to reduced economic activity, banks avoided granting loans in Plav and the north of Montenegro in general because they assessed such projects to be high risk. Only three of the 25 projects proposed projects in Plav were approved, and between 30% and 40% of those proposed were in the agriculture sector. As agriculture is recognised as a sector with development potential in Plav, it was reasonable that most of the projects were related to agriculture.

### 5.1.3 Kolasin



The municipality of Kolasin is located in the central area of northern Montenegro, 954 metres above sea level. The terrain extends across the upper and middle stretches of the Tara and Morača rivers and is surrounded by high cliffs and mountain peaks: Bjelasica, Sinjavina, Javorje, Semolj, Kape Moračke, Maganika, Stavnja, and Ostrvice. With an area of 897 km<sup>2</sup>, Kolasin is the sixth largest municipality in Montenegro. According to the latest census, in 2003 the municipality had 9 949 inhabitants, with 2 989 in the town itself. Between 2003 and 2009, Kolasin's population declined steadily, with a somewhat faster decrease in the female population. In 2009, 50.6% of the population was male. The age structure in Kolasin is weighted towards the older cohort (33.3%) while the percentage of children under 14 is quite low (16.3%). The young population (15-24) accounts for 15.2% and the middle-aged cohort (25-50) is close to the national average of 35.1%. Some 55.4% of middle-aged people are male, while females dominate among older inhabitants (55.7%). There are five elementary schools and one high school in Kolasin.

In the past, enterprises like Impregnacija, Eksport drvo, Tara Kolasin, and Veletrgovina, and a Titeks factory employed most of the population in this area. The unsuccessful transformation of those enterprises and changes in activity has significantly influenced the economy of this municipality. Today, the economic development of Kolasin is based on SMEs active in the tourism sector, water bottling, wood processing and agriculture. There were 153 companies registered in Kolasin in June 2010, of which 33.3% were in trade and maintenance, 17% in the hotel and restaurant sector, 11% in real estate sale and rental, and 9.8% in transport, storage and communications.

Kolasin has a geographical position that favours tourism and is considered to be a significant transitional tourist centre in Montenegro because the Belgrade–Bar railway and the Podgorica–Belgrade road both pass through Kolasin. The area is known as a ski resort with good potential for winter and ecotourism development. Also, high quality water springs are located within the municipality. The key driver of economic development in Kolasin is the connection between agriculture and tourism. With respect to wood processing, during the transition period the largest forestry enterprises collapsed and went bankrupt. Forests are currently exploited by individuals and companies who have concessions. Although there are no serious large enterprises, several wood processing plants have been opened. Most of the activity is primary processing – sawmills or low level processing.

## 5.2 THE LABOUR MARKET IN THE SELECTED MUNICIPALITIES

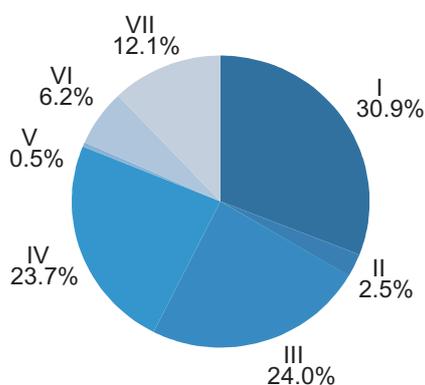
The three target municipalities are characterised by an imbalance between labour supply and demand, a higher than average share of hard-to-place people and highly educated young graduates, a lack of motivation to seek employment among the recipients of social benefits, a particularly large presence of unregistered workers, and the presence of immigrant workers (especially in construction).

The employment of immigrant workers exacerbates the difficult employment situation of local people. The poor wages and conditions accepted by foreigners are seen as unacceptable by the local population. The cheap labour from surrounding countries (Serbia, Bosnia and Herzegovina, Kosovo), the ease with which employers' can dismiss employees, and the readiness of foreigners to work illegally (whether partially or wholly) are the main factors that work against employment of the local population. If they accept these inferior conditions, the local population risks losing previously gained rights, such as social allowance, health insurance, etc. On the other hand, employers who are guided by profit alone accept the situation. The number of foreign workers registered in these three municipalities is 111 in Rožaje and 19 in Kolasin, but the real numbers are believed to be much higher. In most cases, foreign workers are employed in construction, trade or catering and they mainly work as assistants to skilled personnel.

### 5.2.1 Rožaje

At 35.7%, the activity rate in Rožaje is somewhat lower than the national average of 42.6%. EAM data shows that unemployment in Rožaje fell from 16.3% to 15.31% between 2007 and 2009, and to 12.65% in September 2010, with a somewhat higher rate among women. **FIGURE 5.1** shows the structure of registered unemployment in 2010 and **FIGURE 5.2** the trend of newly registered unemployed people and advertised job vacancies between 2004 and 2010. As can be seen, people with primary and less than primary education (30.9%), lower secondary education, that is, three years of vocational education (24.0%), and upper secondary education (23.7%) are the groups with the largest unemployment problem. The number of newly registered unemployed is significantly higher than the number of job vacancies.

**FIGURE 5.1 UNEMPLOYMENT IN ROŽAJE BY EDUCATION LEVEL, 2010<sup>1</sup>**



(1) 30 September.

I ISCED 0-2 – Pre-primary and primary education

II ISCED 2 – Lower secondary education (two years of vocational education in a secondary school)

III ISCED 2 – Lower secondary education (three years of vocational education in a secondary school)

IV ISCED 3 – Upper secondary education (four years in a secondary school)

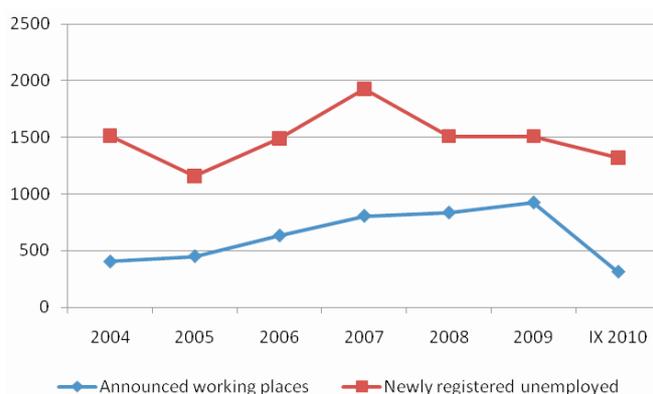
V ISCED 2 – Three years of vocational education in a secondary school with additional training/education within a company and certification to perform certain jobs

VI ISCED 5 – Higher education (two years at a university)

VII ISCED 6 – Higher education (three or four years at a university)

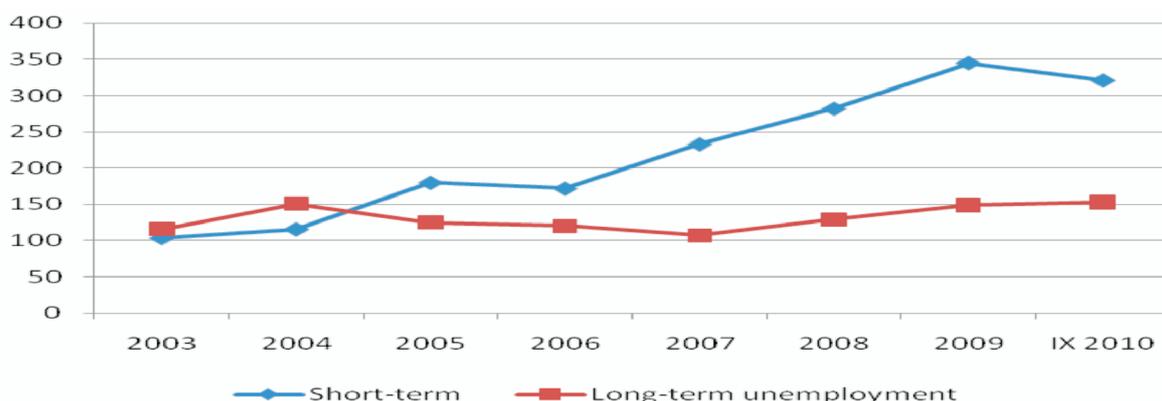
Note: ISCED 4, which is post-secondary and non-tertiary education, does not exist in Montenegro.

**FIGURE 5.2 TREND OF NEWLY REGISTERED UNEMPLOYED AND ADVERTISED JOB VACANCIES IN ROŽAJE, 2004-10**



In Rožaje, the total number of people on the EAM unemployment register as of 30 September 2010 was 1 048, of which 37.5% had been unemployed for more than one year. The largest group was middle-aged women (25-49 years old), who accounted for 43.8%, followed by the cohort over 50 years of age with 31.8%. Young people accounted for the smallest share (24.4%). **FIGURE 5.3** shows the trends in short-term and long-term unemployment registered between 2003 and September 2010.

**FIGURE 5.3 SHORT- AND LONG-TERM UNEMPLOYMENT REGISTERED IN ROŽAJE, 2003-10<sup>1</sup>**



(1) September.

**TABLE 5.3 SHORT- AND LONG-TERM UNEMPLOYMENT BY GENDER AND AGE IN ROŽAJE, 2010<sup>1</sup>**

Age	Short-term unemployment			Long-term unemployment		
	Total	Women	Men	Total	Women	Men
< 18	16	9	7	1	1	0
18-25	189	85	104	44	21	23
25-30	59	27	32	42	18	24
30-40	51	19	32	71	34	37
40-50	116	36	80	110	57	53
> 50	195	29	166	131	38	93
<b>Total</b>	<b>626</b>	<b>205</b>	<b>421</b>	<b>399</b>	<b>169</b>	<b>230</b>

(1) 30 September.

**TABLE 5.3** shows short- and long-term unemployment figures by gender and age in Rožaje and **TABLE 5.4** shows long-term unemployment figures broken down by qualification level and duration of unemployment on 30 September 2010.

**TABLE 5.4 LONG-TERM UNEMPLOYMENT BY EDUCATION LEVEL AND DURATION OF UNEMPLOYMENT IN ROŽAJE, 2010<sup>1</sup>**

Education level	1-3 years		3-5 years		5-8 years		> 8 years		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
I	45	15	37	6	32	12	24	13	138	46
II	4	2	0	0	1	0	6	0	11	2
III	54	17	19	6	22	9	21	14	116	46
IV	57	34	22	12	12	7	5	5	96	58
V	1	0	1	0	0	0	1	0	3	0
VI	15	5	8	5	4	2	3	3	30	15
VII	16	2	1	1	2	1	1	1	20	5
<b>Total</b>	<b>192</b>	<b>75</b>	<b>88</b>	<b>30</b>	<b>73</b>	<b>31</b>	<b>61</b>	<b>36</b>	<b>414</b>	<b>172</b>

(1) 30 September.

To resolve the issue of retraining<sup>13</sup>, EAM is organising training courses through public-private partnerships. In Rožaje, the company Bota Ltd organised training for people interested in working in the wood processing industry. All the trainees who finished the course found jobs<sup>14</sup>.

<sup>13</sup> The process of learning new skills so that a person can perform a job different from the one for which he or she was educated.

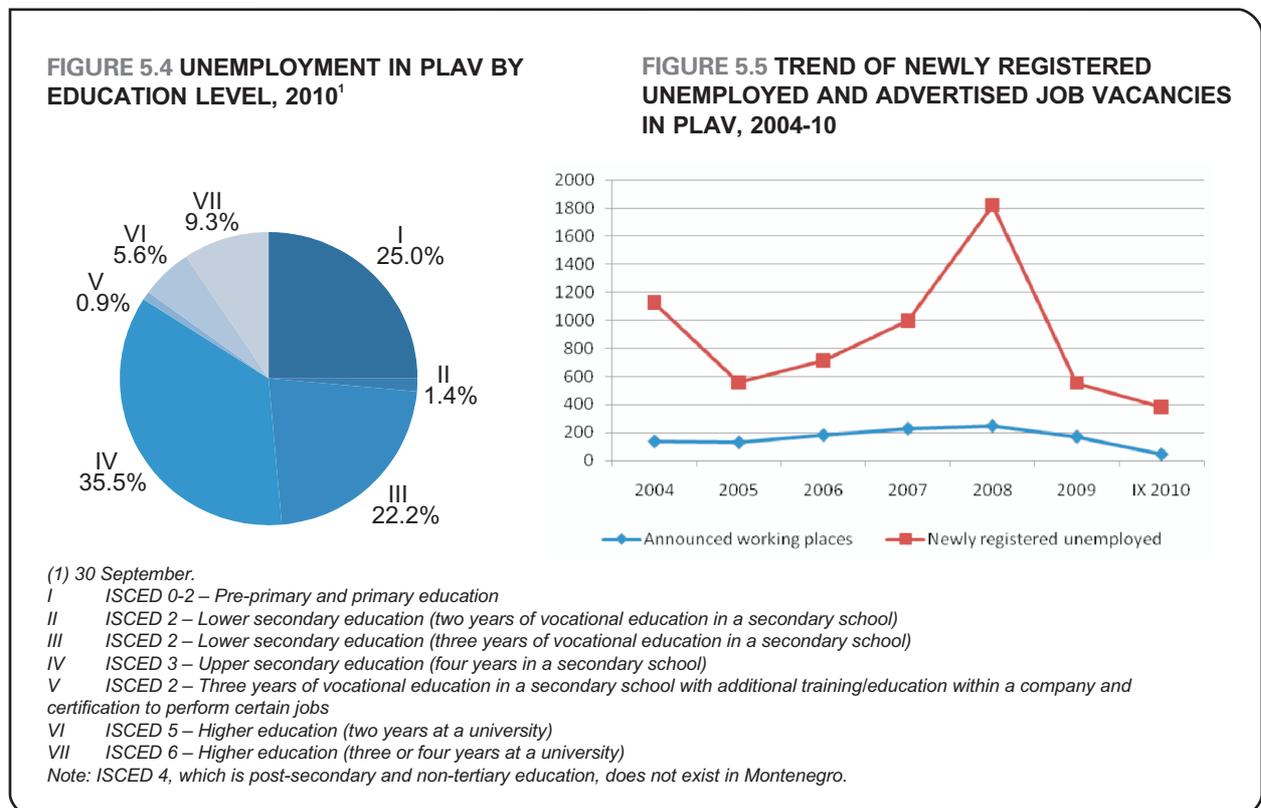
<sup>14</sup> In accordance with government recommendations and labour market needs in Rožaje, Bota Ltd. recognised the interest and need for training the unemployed people in the field of wood processing. During their training, students also worked in the Jelakomerc company in Rožaje. This was a good example of cooperation. The wood industry is perhaps the only chance for development in the area of industrial production, which would primarily be related to finished products [Kolasin validation meeting].

## 5.2.2 Plav

The activity rate in Plav (33%) is somewhat lower than the national average (42.6%). Employment is also characterised by a significant gender imbalance, also seen as a negative indicator; (42.6% of men are active as compared to only 23.3% of women). Registered unemployment in Plav fell from 10.61% to 9.91% between 2007 and 2009, and had further declined to 9.38% by September 2010. In 2007-09, unemployment among women remained essentially unchanged (26.47% and 26.9%, respectively)<sup>15</sup>.

The high unemployment rate in Plav is primarily a result of mass lay-offs after the collapse of state-owned companies in the early 1990s, and the outcome for many of those who worked in such companies has been long-term unemployment. In addition, the ongoing reform of the health system, and the rationalisation of the local government workforce may add some newly unemployed individuals to the EAM registry in Plav.

**FIGURE 5.4** shows the structure of registered unemployment by education level on 30 September 2010 and **FIGURE 5.5** the trend of newly registered unemployed people and advertised job vacancies between 2004 and September 2010. The data indicate that people with pre-primary and primary education (25.0%), lower secondary education, that is, three years of vocational education (22.2%), or upper secondary education (35.5%) are the groups facing the largest problem with respect to unemployment. Furthermore, the number of newly registered unemployed is significantly higher than the number of advertised job vacancies.

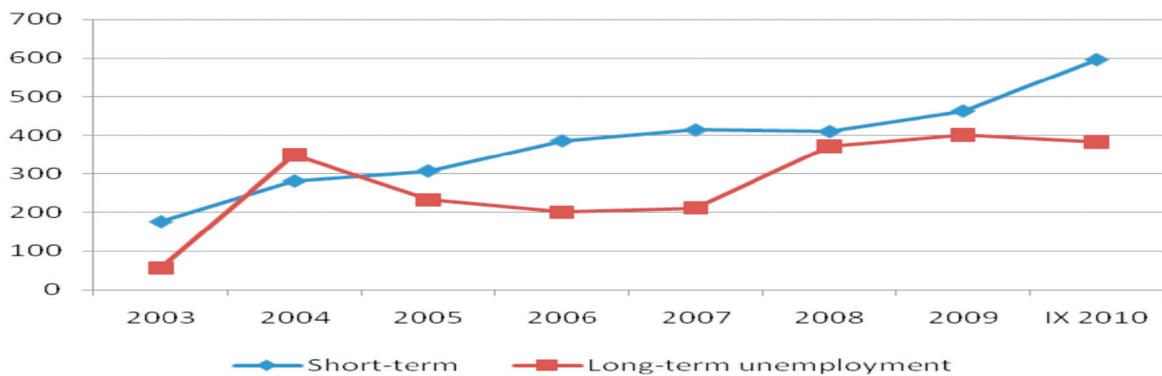


As of 30 September 2010, the total number of people on the unemployment register in Plav was 980. Of these, 39.1% had been looking for a job for more than 12 months (long-term unemployed). The largest subgroup was the cohort over 51 years of age (37.9%), followed by those between 25 and 50 years (35.7%), and those aged under 24 (26.4%). **TABLE 5.5** shows the gender and age characteristics of the short- and long-term unemployed registered in Plav on 30 September 2010, while **FIGURE 5.6** presents trends of short- and long-term unemployment registered between 2003 and September 2010. **TABLE 5.6** shows long-term unemployment by education level and duration of unemployment status in Plav (30 September 2010).

TABLE 5.5 SHORT- AND LONG-TERM UNEMPLOYMENT BY GENDER AND AGE IN PLAV, 2010<sup>1</sup>

Age	Short-term unemployment			Long-term unemployment		
	Total	Women	Men	Total	Women	Men
< 18	14	8	6	0	0	0
18-25	75	32	43	24	9	15
25-30	13	5	8	17	8	9
30-40	21	7	14	14	7	7
40-50	62	16	46	26	6	20
> 50	127	15	112	35	6	29
<b>Total</b>	<b>312</b>	<b>83</b>	<b>229</b>	<b>116</b>	<b>36</b>	<b>80</b>

(1) 30 September.

FIGURE 5.6 SHORT- AND LONG-TERM UNEMPLOYED REGISTERED IN PLAV, 2010<sup>1</sup>

(1) 30 September.

TABLE 5.6 LONG-TERM UNEMPLOYMENT BY EDUCATION LEVEL AND DURATION OF UNEMPLOYMENT IN PLAV, 2010<sup>1</sup>

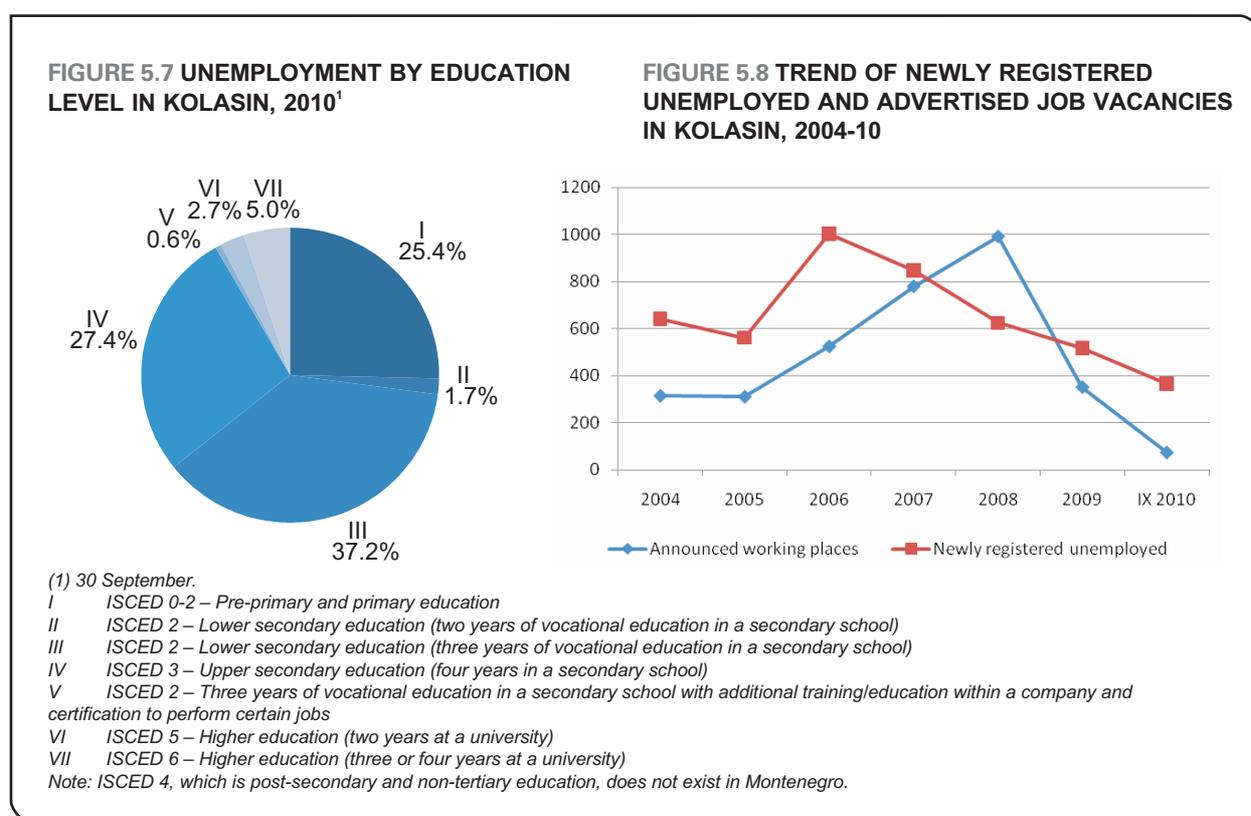
Education level	1-3 years		3-5 years		5-8 years		8 years		Total	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
I	16	2	6	3	0	0	1	1	23	6
II	2	0	1	1	0	0	0	0	3	1
III	12	2	4	1	3	1	3	0	22	4
IV	36	17	6	1	4	2	4	2	50	22
V	0	0	0	0	0	0	0	0	0	0
VI	6	1	0	0	1	0	1	1	8	2
VII	7	1	3	0	0	0	0	0	10	1
<b>Total</b>	<b>79</b>	<b>23</b>	<b>20</b>	<b>6</b>	<b>8</b>	<b>3</b>	<b>9</b>	<b>4</b>	<b>116</b>	<b>36</b>

(1) 30 September.

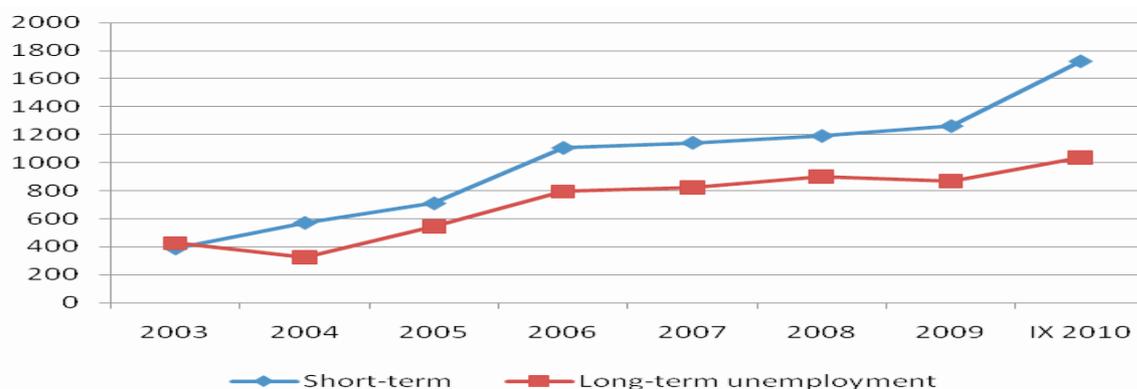
### 5.2.3 Kolasin

The activity rate in Kolasin is 42.8%, which is relatively good compared to the two other target municipalities. However, as in the case of the others, a significant imbalance is seen in terms of the gender structure of the active population – a negative indicator; 53.4% of men are active as compared to 32.2% of women. The unemployment rate in Kolasin fell from 16.13% to 13.62% between 2007 and 2009 but had risen again to 14.91% by September 2010. In 2007-09, unemployment among women also declined (from 39.93% to 34.25%)<sup>16</sup>.

**FIGURE 5.7** shows the structure of registered unemployed by education level on 30 September 2010 and **FIGURE 5.8** the trend of newly registered unemployed people and advertised job vacancies between 2004 and September 2010. The data indicate that individuals with pre-primary and primary education (25.4%), lower secondary education, that is, three years of vocational education (37.2%), or upper secondary education (27.4%) face the largest problem with respect to getting a job. Furthermore, the number of newly registered unemployed is higher than the number of advertised job vacancies, except during the real estate boom just before the global crisis.



As of 30 September 2010, the total number of people on the unemployment register in Kolasin was 474. Of these, 32.3% represent long-term unemployed (out of work for more than 12 months). With respect to age, the largest subgroup was the middle-aged cohort (25-50 years old) (58.1%), followed by young people under 24 (30.4%), and the older population (over 51), whose share was 11.5%. **FIGURE 5.9** shows the trends of short- and long-term unemployment between 2003 and September 2010, while **TABLE 5.7** shows short- and long-term unemployment by gender and age in Kolasin.

**FIGURE 5.9 SHORT- AND LONG-TERM UNEMPLOYED REGISTERED IN KOLASIN, 2003-10****TABLE 5.7 SHORT- AND LONG-TERM UNEMPLOYMENT BY GENDER AND AGE IN KOLASIN, 2010<sup>1</sup>**

Age	Short-term unemployment			Long-term unemployment		
	Total	Women	Men	Total	Women	Men
< 18	28	5	23	0	0	0
18-25	126	40	86	39	11	28
25-30	39	14	25	33	8	25
30-40	58	15	43	62	28	34
40-50	117	38	79	60	33	27
> 50	57	14	43	16	6	10
<b>Total</b>	<b>425</b>	<b>126</b>	<b>229</b>	<b>210</b>	<b>86</b>	<b>124</b>

(1) 30 September.

The collapse discussed above of large industrial companies in the early 1990s also occurred in Kolasin, creating high unemployment that still persists. More recently, the hotel Bianca also laid off the 20 oldest workers and the rationalisation plan applied to the local government administration classified some 120 of its 360 employees as surplus. Most unemployed people are between 40 and 45, and private businesses prefer to employ younger people.

**TABLE 5.8** shows registered long-term unemployment by education level and duration of unemployment in Kolasin on 30 September 2010.

**TABLE 5.8 LONG-TERM UNEMPLOYMENT BY EDUCATION LEVEL AND DURATION OF UNEMPLOYMENT IN KOLASIN, 2010<sup>1</sup>**

Education level	1-3 years		3-5 years		5-8 years		8 years		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
I	33	7	8	4	4	3	14	9	59	23
II	1	1	1	1	0	0	0	0	2	2
III	42	10	12	2	8	3	22	15	84	30
IV	23	10	21	9	4	2	6	4	54	25
V	1	0	0	0	0	0	0	0	1	0
VI	3	1	0	0	0	0	1	1	4	2
VII	1	0	3	1	0	0	0	0	4	1
<b>Total</b>	<b>104</b>	<b>29</b>	<b>45</b>	<b>17</b>	<b>16</b>	<b>8</b>	<b>43</b>	<b>29</b>	<b>208</b>	<b>83</b>

*(1) 30 September.*

As discussed at the validation meeting, the tourism sector is developing and creating new jobs only in Kolasin; this trend is not seen in the other two municipalities. Moreover, women are seeking employment more actively than before in that municipality, and are less represented among the long-term unemployed and more in demand in the tourism and catering sector. Consequently, the situation of women in the labour market has improved.

The EAM is continuously organising training courses to reduce unemployment. It also provides credit support (EUR 5 000) for agricultural producers at favourable terms (both with respect to interest rates and the repayment period). However, such credit support is only granted if the applicant can provide at least two guarantors and it is almost impossible for applicants to do this. There are plans to launch credit lines without this condition.

## 6. RESULTS OF THE FOCUS GROUP DISCUSSIONS

This chapter summarises the key findings of the six focus group discussions held in the three target municipalities. The results include the opinions of each target group in the different municipalities as well as the challenges, obstacles, potential and proposed activities identified in the course of these discussions for local initiatives to solve the unemployment problem. The key findings of these discussions are organised by subgroup (long-term unemployed, EAM and CSW representatives, and business and local government representatives) and municipality (Rožaje, Plav and Kolasin) in order to highlight the specificities of each target group and municipality.

### 6.1 LONG-TERM UNEMPLOYED (INCLUDING WOMEN, THE INACTIVE POPULATION AND SOCIAL BENEFIT RECIPIENTS)

The following are the key findings of the focus groups attended by the long-term unemployed. The meeting at which each finding emerged is shown in square brackets.

- Unemployment is a long-term problem and there is no demand for the qualifications of the people currently unemployed. The typical profile of a long-term unemployed person is as follows: low-skilled man or woman aged over 40 or close to retirement, usually with only primary education and previously employed by a now defunct state-owned company. The technical skills and qualifications of this group are no longer in demand in the labour market and they find only seasonal employment. [Focus groups in all three municipalities.]
- Nepotism and ageism often strongly influence the way new workers are recruited by employers (explicit preference for younger people). [Focus groups in all three municipalities.]
- When an unemployed person does succeed in finding a job, it is usually for a short period of time and often in a low-paid temporary or precarious job for which it is not worthwhile giving up social benefits. [Focus group in Plav.]
- It is well known in the community that unemployed people (whether registered or not) are active in the underground labour market performing unregistered or informal work, and this is tolerated socially and institutionally. [Focus groups in Plav and Rožaje.]
- Young people are satisfied with social allowances because they cannot find work due to the economic crisis. [Focus group in Rožaje.] However, 'unemployed people are not realistic in their expectations... they want to keep social benefits while working temporarily in the informal sector in occupations not considered to be a "proper or permanent job"'. [Kolasin validation meeting.]
- There is limited interest in moving elsewhere to look for a job or do seasonal work. [Focus groups in Rožaje and Kolasin.] The main reason for this lack of labour mobility is low wages and per diems, while unemployed women stressed that it would be unacceptable for them to move to other municipalities for seasonal jobs because they have to take care of their families. [Focus group in Kolasin.] Furthermore, the fact that immigrant workers are cheaper to employ is seen as limiting the employment opportunities of locals and/or discouraging them to seek seasonal work or to move to other areas in search of work. [Focus group in Kolasin.]
- Training courses organised by the EAM are attended by many unemployed people. However, attending these training courses does not necessarily help them to find a formal or proper job. In fact, the number of social beneficiaries does not decrease when the recipients receive training, but some of the participants do find jobs afterwards in the informal sector. Nonetheless, the unemployed still want these courses to continue since they motivate them to seek employment and improve their skills. [Focus groups in all three municipalities.] This view was also shared by the participants in the focus groups for employers and institutions.
- Some of the long-term unemployed also mentioned the low quality of the training provided. They regarded the provision of qualifications and training in tourism to be ineffective and poorly targeted. [Focus group in Plav.] The need to enhance workforce skills in agriculture, food processing, construction, wood processing and tourism was confirmed in all six focus groups, but the level of training is also important: the levels most in demand are III and IV (secondary and post-secondary education, ISCED 2-4). Thus there is a room to improve the quality of the training delivered, particularly in terms of the sectors and occupations targeted, the levels of training offered, and the focus on practical skills.
- Both local and central government must do more to improve the current economic situation of the municipalities, to create new jobs, invest in infrastructure and improve the business environment. [Focus groups in all three municipalities.] This view was shared by all employers and local government institutions.
- Participants reported that they had problems obtaining credit for business start-ups because they were unable to find guarantors, and without loan support, self-employment is out of the question. [Focus group in Kolasin.]

## 6.2 EAM AND CSW REPRESENTATIVES

The following are the key findings of the focus groups attended by representatives of the EAM and CSW in the three municipalities. The meeting at which each finding emerged is shown in square brackets.

- Both EAM and CSW representatives are aware that a number of able-bodied individuals who are registered as unemployed undertake either seasonal and/or unregistered work while receiving social assistance. [Focus groups in all three municipalities.] Although not in every case, the benefit provided to certain groups of people may act as a disincentive to accepting employment.
- There is clear need for closer cooperation between the CSW, EAM, local government and labour inspectors at both local and national level. The social welfare system needs to be rationalised to establish clear eligibility criteria and universal application of the existing rules. For example, unemployment benefits should be separated from social/child benefits or minimum income for the poor (maybe by using a separate social card like the system used in Serbia). If the state defines exact criteria for social assistance and these are fully implemented by its agencies, the number of beneficiaries will decrease. If the law on social protection and child protection is changed, able-bodied individuals who are educated and skilled should be excluded from benefits so that these resources could be used to target the really needy people. [Kolasin validation meeting.]
- High levels of inward remittances act as a further disincentive for people to consider finding a job or working towards some form of self-employment. [Focus group in Rožaje.] Emigrants' remittances could also potentially create opportunities if they were used as the seed money for self-employment projects or business start-ups.
- According to EAM officials, the agency regularly contacts and cooperates with employers, surveys job and skills needs, produces labour market reports, involves key stakeholders in training provision, sends reports to training institutions. However, they also indicated that the problem is related to the lack of job creation and rigidities in the education system that is an obstacle to more demand-driven delivery. The problem of lack of certification for people who do not receive training was accentuated. Furthermore, the EAM staff are already working proactively with all clients, but due to the heavy workload they are unable to do more. [Kolasin validation meeting.]
- It was confirmed that the EAM provides many training and retraining courses for the registered unemployed, including the long-term unemployed. There is already a partnership between the EAM and the companies who provide training for the unemployed. So far about 70 companies are engaged in this activity and, of these, about 95% are privately owned. It was stressed that all training supplied is based on the programmes of the Centre for Vocational Education and the Ministry of Education. [Kolasin validation meeting.] However, they confirmed that the training supplied relates to occupations not in demand on the labour market and that there is less training for occupations that are in demand. The staff of local institutions share the view that there is a mismatch between the supply and demand of skills, and that the quality of training could be improved.
- A dual education system should be introduced that would give more importance to training in practical skills. Companies should be encouraged to take on students from secondary schools. [Focus group in Rožaje.] There are problems related to changing occupational and professional profiles, but employers and employment agencies need to tell the schools what occupational profiles are needed. It has been argued that the school system should also be involved in occupational retraining. [Kolasin validation meeting.]
- Representatives of the EAM stated that the unemployed are eager to have access to the credit that would allow them to become self-employed. It is therefore necessary to make the policy changes that would ensure easier terms and conditions for people wishing to obtain credit support, from either public or private institutions. [Focus group in Kolasin.]

## 6.3 REPRESENTATIVES OF BUSINESSES AND LOCAL GOVERNMENTS

The following are the key findings of the focus groups attended by representatives of local business and local government in the three municipalities. The meeting at which each finding emerged is shown in square brackets.

- In all three municipalities, the participants, and especially those representing business interests, highlighted the lack of state investment and the need for specific policy measures to stimulate business and create favourable conditions for investment. Measures suggested included the following: concessions on forests for longer periods to enable companies to plan production for a longer period [Rožaje]; building a facility to store fruit [Plav]; creating associations and cooperatives for marketing agricultural produce [Plav]; setting up business incubators. [Rožaje]; campaigns promoting the services and products of the municipalities [Kolasin].
- Business representatives highlighted the lack of financial support for business development and the limited access to capital as important factors inhibiting development in their areas. [Focus group in Kolasin.]
- Initiatives proposed to increase registered employment and work opportunities for the unemployed included reducing taxes and levies on labour, support companies to provide jobs for the disabled, older people and the long-term unemployed. [Focus group in Rožaje.] One suggestion for a way to reduce unregistered business

activities was the introduction of a licensing system for each sector that would raise quality standards. [Focus group in Rožaje.]

- Some participants called for greater engagement on the part of the state in job creation because it is difficult for private initiatives to survive in the current situation; one measure suggested was subsidies for agricultural production. Municipalities should also work to create the right conditions for investment, and then FDI would follow. Example: Rožaje municipality signed an agreement with the Italian government for the certification of forests. The Centre for Development in Rožaje also supports SMEs, and integrated local development plans are needed for each municipality. But other participants claimed that Rožaje municipality does nothing to enhance the labour market situation, although it was also asserted that there is little that local government can do to reduce barriers to business development. [Kolasin validation meeting.]
- Employers agree that too many people are receiving social benefits and that this tends to act as a disincentive to work. To discourage this, they suggest that unemployed people who are offered a job but do not accept it should be removed from the unemployment register. [Focus group in Plav.] Current legislation prescribes the cancellation of registered unemployment status, including health insurance, when an individual refuses a job offer, but this provision is not properly implemented. There are plans for more cooperation, coordination and even joint work between the EAM and welfare offices including joint visits to the houses of welfare beneficiaries and ensuring that all beneficiaries are involved in some kind of public work. However, if they are to be properly implemented, such measures need a stronger political will and a central state decision. [Kolasin validation meeting.]
- Businesses are also of the view that youth unemployment is high because some young people lack working discipline and are unwilling to accept seasonal jobs of three months duration because they consider them to be low-paid employment. [Focus group in Plav.] Employers confirm that there is lack of skills in the workforce relevant to the local labour market. [Focus group in Kolasin.] There is also a need to harmonise the education system with the demands of the local labour market. [Focus groups in Plav and Rožaje.] They agree that there is a need for skilled workers in agriculture, food processing, construction, wood processing and tourism and that the education levels most in demand are secondary and post-secondary.
- Some business interests think that, despite its economic potential, tourism does not create many jobs because it provides mainly low-paid seasonal employment and contributes during the peak tourist season to an increase in the cost of living. [Focus group in Kolasin.] There is a common view that women should stay at home and take care of their children so that the image problem of employing women in restaurants and cafes persists. It is not yet socially acceptable. [Focus group in Plav.]
- The devastating developments in the agricultural sector in Rožaje were confirmed: 12 agricultural enterprises have been closed down. The importance of encouraging (organic) agricultural production was highlighted as many people have left their land to settle in towns, where they are receiving welfare benefits. The state may consider transferring the abandoned lands to people who are willing to work on the land. It is essential to change the image of agriculture so that people are not ashamed to work in the sector and to train them how to grow things. If agriculture develops, this would also feed the development of other sectors, such as tourism. [Kolasin validation meeting.]
- An important suggestion for a local employment initiative is to develop a local mechanism to support cooperation between agricultural workers and tourism enterprises. [Focus group in Kolasin.] There is certainly a need for demonstrating business development good practice and action plans, value-chain analyses, and marketing research, and for connecting production with marketing. Within this framework, there would also be a need to develop skills in related sectors: tourism, organic agricultural production, marketing, and business start-ups. [Kolasin validation meeting.]

## 6.4 SUMMARY OF TWO FOCUS GROUP DISCUSSIONS IN ROŽAJE

The focus group discussion involving local institutions and employers revealed the fact that the state does not invest enough in the northern region to stimulate business and create favourable conditions for investment. Business incubators are also needed to support entrepreneurship and remove business barriers. According to the participants, many abandoned workshops that once housed industrial facilities would be suitable for this purpose.

According to the representatives of the CSW in Rožaje, the municipality has the largest number of social benefit recipients in the country. While some of these individuals and families are really poor, one of the reasons for large number of beneficiaries is the current regulation that allows able-bodied people to register as unemployed and apply for social assistance. According to the estimation of the CSW representatives in Rožaje, roughly 70% of those registered at the CSW are people who are able to work. During the tourist season, these people accept seasonal work, mostly informally, but keep their registration with the CSW. Because the work is seasonal and only available for a few months a year they are not keen to report their work activities and earnings. If they did, they would lose both the unemployment benefit and health insurance they enjoy while being registered as unemployed.

The above-mentioned situation appeals even to young people, who prefer to register with the EAM and CSW rather than rely on insecure or seasonal jobs in the private sector. They prefer to receive a secure income, even though it is not high, from the social security system, have health insurance and occasionally accept unregistered seasonal work. This practice is not unknown to the EAM and CSW representatives, but it is tolerated. In addition, Rožaje is the municipality with the highest level of remittances per capita in Montenegro. According to some estimates, at least EUR 3 million is received in remittances by the inhabitants of Rožaje every year. This income is a further disincentive that deters people from getting a job or becoming self-employed.

The following are the key findings of the focus group discussions involving people who have been unemployed for more than 12 months, inactive individuals and social beneficiaries.

- Unemployment in Rožaje is a long-term problem. There is no demand for their qualifications and nepotism often strongly influences the way new workers are recruited.
- For the unemployed, attending courses and training organised by the EAM does not necessarily help them much in getting work, but they still want to continue with such courses to keep their motivation to move in the right direction in their job search.
- The unemployed are not interested in moving elsewhere to look for work.
- Local government has not done much to improve the current economic situation in the municipality and there is a need for state involvement to create new job opportunities and improve the business environment.

Some of the initiatives proposed in the focus group discussions are listed below.

- Concessions on forests should be awarded for longer periods to enable companies to plan production for a longer period. An association of wood processors should be created whose joint activities should include defining the finished product and creating a brand. The forestry sector should be better controlled.
- Taxes and levies on labour should be reduced and additional support should be granted to companies that provide jobs for the disabled, older people and the long-term unemployed.
- A dual education system should be introduced. Companies should be encouraged to take on students from secondary schools for vocational training.
- The construction sector in the north should be exempted from VAT for three years, and the same type of fiscal stimulus should be applied to other sectors as well.
- Transport and other infrastructure should be improved to connect urban and rural areas and improve living conditions in villages. This might prevent further migration from the country and reduce the pressure on the towns suffering from this population influx.
- Business incubators should be opened in the old production spaces of now defunct state-owned companies through joint action between national and local government.
- Development projects should be launched in the agriculture and wood processing sectors.
- Wood industry engineers should be introduced in a supervisory capacity. Each company in the sector should have at least one wood industry engineer.
- A licensing system should be introduced to prevent unregistered activities and production and substandard services.

## 6.5 SUMMARY OF TWO FOCUS GROUP DISCUSSIONS IN PLAV

The focus group discussion involving local institutions and employers confirmed that some 600 families in the municipality receive social assistance and that most of them work in the underground economy and/or receive remittances from abroad. It was suggested that a policy measure should be introduced to remove from the unemployment register anyone who is offered a job and does not accept it. Common international practices regarding registered unemployed people who do not accept job offers include more intensive case management, stricter reporting mechanisms regarding job search activities, and the imposition of sanctions, such as suspension of payment of unemployment benefit for a certain period of time and, if the situation should recur, prolonging the suspension. Eventually, unemployment benefit may be terminated and the unemployed person removed from the register. However, all of these measures have to be considered in a specific socioeconomic context. In the case of the northern region, prolonged suspension or termination of unemployment registration and/or benefit could be counterproductive for at least two reasons. Firstly, removing an unemployed person from the register may deny him or her access to income support as they may be unable to find work (for example, males over 55 years of age), and secondly such actions may drive more people into the grey economy.

Like Rožaje, Plav also has the problem of an unemployed population with qualifications that are not in demand in the local labour market. Since Plav has set the development of tourism and the hotel industry as a target, HRD in those sectors should be priority. Despite the fact that finding a job is difficult, young people do not want to accept three-month seasonal jobs because they consider them to be low-paid and precarious. Employers consider that young people lack work discipline.

The following key findings emerged from the focus group discussion in Plav with long-term unemployed, inactive individuals and social beneficiaries.

- Reduced economic activity and the closure of factories caused unemployment. There are only few private businesses in the municipality. The local government, including schools and state institutions, is still an important employer.
- There is no demand for their qualifications in the labour market, and employers are unwilling to hire them because of their age, preferring to employ younger people.
- Nepotism strongly influences the way new workers are recruited. Employers hire their relatives without any regard to qualifications.
- If they manage to find some work during the year, it is usually only seasonal work or jobs on public works through the EAM (always low-paid work and poor jobs).
- They also confirm that it is well known fact that some social beneficiaries also work informally.
- The majority of the focus group participants had attended some training courses organised by the EAM, but claimed that these had not helped them to improve their position in the labour market. However, they did confirm their interest in continuing to attend such courses to improve their information technology skills.

Following the discussions with all target groups, the main initiatives proposed were:

- construct a storage house for fruit and vegetables to make sales possible throughout the year;
- open plants for product packaging; organise smaller facilities to produce juice and cookies;
- organise cooperatives to ensure the purchase of blueberry production; prevent individuals from the surrounding areas from harvesting blueberries to export them as raw material, either by banning the export of unprocessed berries or by increasing tariffs on their export;
- harmonise the education system with labour market needs, including greater emphasis on wood processing, tourism, agriculture, and more practical training (dual system) in secondary schools;
- rebuild former ski station infrastructure to develop winter tourism.

## 6.6 SUMMARY OF TWO FOCUS GROUP DISCUSSIONS IN KOLASIN

As highlighted by the focus group involving local institutions and employers, the lack of proper skills is an important issue. The current labour force does not meet the requirements of the local labour market. To work in the tourism sector, an employee needs to be able speak at least one foreign language because of the growing number of foreign tourists coming to the north, primarily Kolasin. They also cited the lack or shortage of good cooks and waiters, as well as the restricted number of licensed tourist guides.

One of the municipality's biggest problems is the lack of financial support for business development. The agricultural sector needs to be stimulated by improving infrastructure, protecting unique local products and enabling agricultural producers to sell their products. Local products could be sold in the domestic market if the surplus were bought by the state. There is a need for farming cooperatives and storage facilities.

The following are the key findings from the focus group discussion with long-term unemployed groups.

- The majority of those currently registered with the EAM are ex-employees of failed state-owned companies who now have difficulties finding a job.
- There is no labour market demand for older workers and private businesses prefer to hire young people.
- People who attended training courses organised by the EAM are satisfied with the new skills they acquired, but claim that the training does not help them to find a job.
- The real estate boom that preceded the recent global financial crisis provided many opportunities for employment in the construction sector. However, most of these jobs were taken by workers from surrounding countries. Employing immigrant labour is a cheaper option for employers, and the local workforce does not want to work for the low daily wages offered.
- Despite the great potential of tourism in Kolasin, the sector does not create many new jobs, and those that are created are only seasonal. The tourist season is very often accompanied by an increase in prices overall that has a negative impact on the household budgets of the local population.
- Unemployed people find it difficult to apply for the loan support offered by the EAM because they cannot find the two guarantors required. These guarantors are obliged to repay a loan if the borrower defaults.
- Most of the social benefit recipients do not own arable land and cannot therefore resort to agriculture.
- Unemployed women particularly stressed that it is unacceptable for them to move to other municipalities for seasonal jobs because they have to take care of their families. They consider this option to be more attractive for young people without family commitments.

- Participants still felt that it would be good if some of large production facilities could be reopened, although they were not optimistic about the likelihood of this happening.

As a follow up to the discussions in Kolasin, the following initiatives were recommended by the participants:

- comprehensive action to motivate people living in rural areas to remain on their properties – this might include promoting the municipality in the media or promoting its natural resources, tourism and agriculture;
- the creation of agricultural associations and cooperatives to market local produce;
- cooperation between local tourism enterprises and agricultural producers.

## 6.7 OVERALL SUMMARY

Analysis of the content of the focus group discussions with all target groups led to several important conclusions regarding the problem of long-term unemployment in the northern region of Montenegro.

1. In addition to the presence of two labour markets (formal and informal), the discussions also revealed the parallel existence in many instances of two parallel business worlds (legal and illegal companies and/or registered and unregistered companies). Long-term unemployment is one component in a complex constellation of socioeconomic issues and challenges that includes the grey economy, informal employment, remittances, cultural attitudes and mindsets, and other factors. A significant number of social assistance beneficiaries and people who have been registered as unemployed for more than 12 months appear to be engaged in gainful, although not regular, employment.
2. Long-term unemployment is perceived differently by the institutions and the unemployed in the target municipalities. While the former group accuses the latter of a lack of motivation and willingness to work, the latter complains that local and state institutions are not doing enough to help them to cope with their precarious financial situation and lack of employment.
3. Local institutions often commented that social assistance benefits act as a disincentive, reducing people's motivation to actively seek employment. This is a common observation in nearly all countries where the state provides such benefits and it is, of course, a political question far too complex to be analysed in detail in this report. Very briefly, however, policy options are always based on a combination of at least three aspects: on the social and economic impact the policy maker or legislator wants to achieve; on the availability of financial resources to implement the measure; and on the human and technological capacity of the organisation called upon to implement it. In the case of the northern region, any tightening of the social assistance eligibility criteria and/or increase of incentives for recipients to more actively seek work, if they are to produce results, must be accompanied by initiatives that would effectively address unregistered employment and business activity at the same time. Otherwise, the most likely outcome will be increased poverty and more unregistered employment.
4. Middle-aged individuals (in this context over 40) and people of pre-retirement age are worst hit by unemployment, in particular, the individuals with a low education level who are less likely to be suitable for retraining, or to get seasonal jobs or move to other parts of the country for work.
5. Levels of long-term unemployment and low activity among women are high in the three municipalities studied, confirming the overall trend in the northern region. However, the results of the focus groups show that it is unacceptable for them to move to other municipalities for seasonal jobs because they have to take care of their families. This constraint seems to apply more to mature women rather than younger women with no families. This is one of the findings that brings to light the limited employment opportunities for mature women in the municipalities.

The measures implemented to date to reduce unemployment and stimulate business activity have not been very successful and include the following:

- vocational retraining and rehabilitation;
- tax incentives for companies located in northern Montenegro<sup>17</sup>;
- public work schemes;
- subsidies for employers who provide jobs for hard-to-place people;
- youth employment promotion;
- loans for business start-ups and promotion of entrepreneurship.

The following points summarise some of the proposed measures for socioeconomic development of the three target municipalities that emerged from the desk review and the focus group discussions with the target groups:

- support the development of these municipalities in securing donor support for infrastructure projects;

<sup>17</sup> Under the Law on corporate profit tax, newly established legal entities located in less developed municipalities and involved in production are not obliged to pay corporate profit tax during the first three years of business on profits earned through core activities in less developed municipalities.

- provide financial support through credit lines to facilitate the development of organic production, tourism and SMEs in general;
- attract foreign investors to invest in the northern region of Montenegro;
- open new centres and increase the capacities of the existing structures for buying agricultural produce to increase the motivation for self-employment in the agricultural sector;
- introduce fiscal policy measures to provide better conditions for the development of the target municipalities;
- stimulate students and young people to enrol in vocational schools and train for jobs in agriculture, tourism and services; introduce mandatory practical training and internship for VET students;
- improve inter-institutional cooperation to reduce unregistered work and activate able-bodied social beneficiaries.

The desk review findings and the opinions expressed during the focus group sessions reveal the limited impact of the measures implemented to date in the northern region to combat long-term unemployment, which have been designed by a state authority and applied country-wide. What emerged from the discussions was the need to complement these initiatives with measures tailored to meet the needs of the local context and make use of local strengths, resources and opportunities.

# 7. LOCAL EMPLOYMENT DEVELOPMENT – INTERNATIONAL POLICY APPROACHES, NETWORKS AND GOOD PRACTICES

The concept of local employment development (LED) is not a new one, having been in use at least for the past 20 years in Europe. The concept, which was adopted by the European Commission in 2001, is enshrined in all the Employment Guidelines approved to date<sup>18</sup>. Specifically, 'the European Commission is promoting the establishment of holistic, integrative LED strategies that will benefit all. A very important aspect of LED is that it should include multi-stakeholders, encouraging committed local partnerships that identify with the localities they operate in. The Commission looks for good understanding and dialogue, combined with a commitment to management excellence that will bring out the best in citizens in local communities'<sup>19</sup>.

LED involves local actors in the design, management and implementation of employment-related policies. It encompasses a broad range of activities that create jobs, tackle unemployment, promote adaptability, stimulate initiatives, facilitate inclusion and reduce inequality. LED typically brings together a range of local actors in a partnership of some form to develop a strategy and implement activity. These include local authorities, statutory agencies, local employers as well as business organisations, trade unions and NGOs.

LED can contribute to the objectives of national and local employment policy in the following ways: by increasing the numbers in employment and reducing unemployment; drawing people with different backgrounds, attributes, skills and aspirations into paid work by addressing sensitively the needs of marginalised groups; creating entirely new sorts of jobs or developing new industries in a locality; providing new jobs by finding creative ways to meet unfilled local service needs; finding better ways to meet the needs of young people, older people and working parents; and building a climate of trust and a common purpose between local people and organisations.

A review of the relevant international literature shows that LED is neither a single approach to strengthening local partnerships and capacity for local employment initiatives nor a pure form of policy intervention. For example, another tested LED approach found in Europe is the Territorial Employment Pact (TEP), a method aimed at tackling unemployment and promoting job creation through multi-stakeholder partnerships at the local using a bottom-up approach based on broad-based partnerships, strategy integration, and innovation<sup>20</sup>.

Over the past decade or so, the trend in the EU has been towards using the LED approach either as a policy option to deal with specific target groups (the long-term unemployed, or other vulnerable groups in relatively small areas, such as municipalities or regions) or, in most cases, as an integral component of national or regional economic and sectoral strategies<sup>21</sup>. In the good practice examples that follow, which have been selected as being among the most appropriate for the northern region of Montenegro owing to its long-term unemployment and economic underdevelopment, we note that LED initiatives are components of broader strategies and policies.

Based on the existing experience, some of the key success factors for successful LED, as noted in the examples below, are the following:

- a national and EU policy framework supportive of local action;
- a partnership of local institutions and actors, both government and non-government (various ministries, employment and training services, local government, social partners, business representatives, NGOs);
- a mandate to address local employment challenges;
- a local strategy with broad-based participation;

<sup>18</sup> European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, available at: <http://ec.europa.eu/social/main.jsp?catId=108&langId=en>

<sup>19</sup> <http://ec.europa.eu/social/main.jsp?catId=104&langId=en>

<sup>20</sup> Evaluation of the Territorial Employment Pacts, [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/doc/tep\\_evaluation.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/doc/tep_evaluation.pdf); Territorial Employment Pacts in Austria, A Discussion Paper, [www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/3/ind-exp-paper-Aust-may01-p.pdf](http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/3/ind-exp-paper-Aust-may01-p.pdf); and Partnerships for Development: Studies on Territorial Employment Pacts in Italy, [www.ilo.org/public/english/bureau/inst/publications/discussion/dp15504.pdf](http://www.ilo.org/public/english/bureau/inst/publications/discussion/dp15504.pdf)

<sup>21</sup> One of the objectives of the EU Regional Policy is to strengthen economic, social and territorial cohesion by reducing disparities in the level of development between different regions and countries in the EU, thereby contributing positively to the overall economic performance of the EU as a whole. The instruments used to implement the Regional Policy are the European Regional Development Fund, the Cohesion Fund, and the Instrument for Structural Policies for Pre-Accession (ISPA), which helps candidate countries to develop transport networks and improve their environmental infrastructure.

- integration of policies from the regional and national levels with locally designed actions to meet specific local needs.

Four examples of good practice are provided as the most relevant for the northern region, but the transferability of the practices described would need to be assessed further if implementation were under consideration.

## 7.1 MALTA – EMPLOYMENT AND TRAINING CORPORATION GOZO PROJECT

The Maltese Employment and Training Corporation European Social Fund Project in the island of Gozo – in short the ETC Gozo Project – is an example of good practice. The aim of the project was to stimulate the emergence of community-based partnerships that would undertake self-help and local employment initiatives, and implement projects related to development needs in their local areas (European Commission, 2009, p. 17).

Gozo is one of the three islands that make up the Republic of Malta. It has an area of 67 km<sup>2</sup> and is mainly rural. In comparison with the main island of Malta, Gozo has a higher unemployment rate and a markedly lower activity rate, especially for women. The remoteness of the island and its relatively dispersed population present particular employment challenges. These are reflected in the unavailability of full-time productive jobs in Gozo and the predominance of seasonal, part-time and irregular employment. Gozo remains highly dependent on tourism, crafts and agriculture for employment, and jobs in these sectors tend to be low skilled. The shortage of opportunities means that many Gozitans have to travel to Malta for employment and training. Where jobs exist, they tend to be in the service sector, whereas the skills available are generally manual (labourers, agricultural workers, machine operators, etc.).

On the other hand, the advantages include the existence of a close-knit island community that lends itself well to the creation of networks of producers, consumers, and information and service providers. In such communities, the prevalence of family businesses, strong social capital and a deep-seated sense of local identity all serve to increase trust and reduce the transaction costs of cooperation. These networks enable SMEs to cooperate in the project to supply new and larger markets with a broader range of products, gain better access to know-how and technology, and to negotiate more favourable terms for finance. Local partnerships provide intermediate support structures that can help communities and businesses to connect and achieve critical network strength, increase the scale and scope of their products and services, and overcome the problems of distance and accessibility.

For a number of reasons, Gozo had to strengthen its human resource capacity to participate in EU programmes in order to create more jobs and economic growth. These included the island's remoteness, its special employment and business problems, the local councils' lack of capacity in the areas of local employment policy, economic development and social policy (policy areas they are not directly responsible for), as well as the small size of local councils, which have few employees and only modest financial resources.

The Employment and Training Corporation of the Republic of Malta – the equivalent of Montenegro's MLSW – has overall executive responsibility for employment policy. Its office in Gozo provides job matching services, information and advice to clients. With the support of the European Social Fund (during the period 2004-06), it provided tailored support for employment and entrepreneurship in Gozo. During the design of the project, the views of the Gozo Business Chamber, the Gozo Tourism Association, the Gozo Association of NGOs and the Ministry of Gozo were sought.

The ETC Gozo Project stems directly from the objectives of the fourth priority in the Single Programming Document, which is entitled Regional Distinctiveness – Gozo Special Needs. The project consisted of four activities and was in line with the priority because it supported HRD and, in particular, addressed the supply and demand mismatch in the labour market with a view to increasing the employment rate in Gozo. The project targeted mainly the unemployed, but it was also open to individuals already in employment who wished to upgrade their skills. The age of participants varied, but the scheme was only open to people over 26 years of age. SMEs also benefitted as one of the schemes was designed to assist small businesses in drawing up a training plan.

The project comprised four activities and a number of training courses aimed at increasing employment in Gozo.

- **Graduate scheme.** This provided employment opportunities in Gozitan host companies for unemployed graduates. Participants gained training and work experience. This scheme targeted graduate unemployment, which is a specific employment problem in Gozo.
- **Foster entrepreneurial skills.** This activity provided the necessary stimulus for unemployed people who wanted to set up their own business. The aim was to enhance entrepreneurial spirit in Gozo.
- **Support for small businesses.** The aim of this initiative was to help small businesses to identify their information and communication technology training needs and to draw up a training plan for each company.

- **Courses in tourism-related areas.** These courses targeted both employed and unemployed people who wanted to acquire new skills and improve their job prospects in the areas of food preparation and production, house keeping, bar tending and customer care so as to work in the tourism industry, which is the primary pillar of the Gozitan economy<sup>22</sup>.

The programme also identified a number of project areas, including the environment, infrastructure, aid to business, developing people<sup>23</sup>, fisheries and agriculture. Immediate results included immediate employment of certain graduates in the host companies upon graduation. European funds have also made possible a training institute for the tourism industry and the upgrading of roads and cold storage facilities for agriculture produce.

In Malta's National Strategic Reference Network for 2007-13, the regional distinctiveness of the island of Gozo is addressed separately under one of the four objectives. The document establishes three priorities: human capital and skills, enterprise promotion, and accessibility and inter-island transport. So the ETC Gozo Project continues under the Operational Programme II, empowering people for more jobs and a better quality of life. The Maltese government is also committed to spending at least 10% of the European Social Funds on projects related to the socioeconomic development of Gozo.

Finally, another important feature of the Maltese situation that favoured the development and continuation of the ETC Gozo Project is that, although Malta has no regional level of government, regional meetings do occasionally take place (involving northern Malta, central Malta, southern Malta and the island-region of Gozo). There is also ongoing discussion on the proposal that local councils should be able to come together in loose regional units, for example through the Associations of Local Councils, to ensure more effective resource sharing between the stakeholders and to lobby national government on the importance of local approaches to employment (European Commission, 2009, p. 14).

## 7.2 CROATIA – LOCAL PARTNERSHIPS FOR EMPLOYMENT PROJECT

Closer to Montenegro, another example of good practice in LED is the Croatian IPA-funded Local Partnerships for Employment (LPE) Project Phase 3 launched in February 2010. This is a continuation of the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) 2002 and 2004 programmes and takes into account the approaches used and results obtained in those projects (Croatian Employment Service, 2009, p. 4).

Labour market policies and measures in Croatia are mostly designed using a top-down approach and without sufficient quality inputs from the regional level. A systematic HRD policy, which is an essential part of regional development, is missing or poorly developed in Croatia on a regional level. Actions in regional labour markets tend to be implemented by various institutions and organisations, sporadic and often overlapping and uncoordinated. The lack of effective coordination and a partnership approach also affects planning because institutions and organisations each draw up their own working plans without any input from other local stakeholders.

In view of Croatia's future membership of the EU, a local and regional approach to HRD is needed. This would require in-depth analysis of the labour market situation, long-term planning, a strategic approach, consultation of all social partners, and capacity building to ensure efficient implementation of the priority actions related to HRD established by regional strategic documents. These requirements are currently not being met, or at least not adequately, at the regional level, and project development capacities in the field of HRD are deficient.

The CARDS 2002 and 2004 projects strengthened existing cooperation between local labour market actors by setting up more formal partnerships through which local stakeholders work together to improve the local labour market on the basis of a common mission and vision. LPE were set up in eight Croatian counties<sup>24</sup>.

The main function of the Croatian LPE is to provide a framework to coordinate the efforts of local labour market actors to improve the local economy and the local labour market by developing and implementing shared policies and strategies. The rationale for the LPE is that local actors have a sound knowledge of local needs and capacities and can help adapt national employment policies and increase their efficiency, particularly if their initiatives are well coordinated and informed by common partnership principles and strategy. The Croatian LPE act as advisory structures and are responsible for coordinating the activities of different stakeholders in the local labour markets and determining strategic directions. Besides that, one of the main roles of the LPE is to monitor the local labour market and to develop and implement local HRD strategies. In this way, they are somewhat similar to the Territorial Employment Pacts found in certain EU countries.

<sup>22</sup> [www.eu4u.gov.mt/etc\\_course.asp](http://www.eu4u.gov.mt/etc_course.asp)

<sup>23</sup> Projects in this area included: provision of equipment for modern and relevant motor vehicle training programmes; training and employment exposure scheme; preservation of traditional Maltese crafts; re-training and re-skilling of workers for the engineering and electronics industry; technology skills for women returning to the workforce; re-training and re-skilling of workers for the building and construction industry; and foundation training for adults with no formal qualifications.

<sup>24</sup> Sisak-Moslavina County, Šibenik-Knin County, Vukovar-Srijem County, Zadar County, Brod-Posavina County, Karlovac County, Lika-Senj County and Požega-Slavonia County, [www.forumpartnerships.zsi.at/attach/croatia.pdf](http://www.forumpartnerships.zsi.at/attach/croatia.pdf)

A variety of policy tools, measures and instruments are used to address local employment issues. These include labour market analysis, support for business start-ups, tailor-made measures for disadvantaged groups, training, retraining, employment counselling, social entrepreneurship, job clubs and some pilot projects. Local labour market stakeholders represent the public, private and civil sectors, including the Croatian Employment Service regional and local offices, NGOs, employers, regional employer associations, chambers of commerce, trade unions, regional development agencies, formal and non-formal education institutions and organisations, regional and local administration, and other relevant stakeholders.

The LPE Project has a grant programme aimed at reducing unemployment and the threat of new unemployment at the local and regional level which specifically supports the design and implementation of appropriate HRD actions in line with objectives identified using a partnership approach. The priorities of the grant programme are to support innovative LED initiatives, partnerships and networks whose goal is to improve the situation in local and regional labour markets and to support a multi-institutional approach in designing and implementing ALMMs on the local level. The target groups include unemployed people, with focus on the long-term unemployed, those at risk of poverty or social exclusion and those located in counties with the highest unemployment rates, inactive people, redundant workers, employed workers who need or want to upgrade their skills, and unemployed members of national minorities with a particular focus on the Roma population.

### 7.3 UNITED KINGDOM – SHROPSHIRE LOCAL STRATEGIC PARTNERSHIP

The Government Office for the West Midlands is the regional arm of the UK government and the managing authority for the Objective 2 programme in the West Midlands of England. The Office has delegated European Social Fund and European Regional Development Fund Objective 2 grant funding to local partnerships operating at the county level, including one in Shropshire. This money funds the action plans of strategic packages which group together projects that meet local economic, social and environmental needs.

In addition to the project funding, the Government Office has also – crucially – funded the cost of two technical assistance officers. These individuals facilitate the design, development, monitoring and evaluation of action plans. They also support the development of individual projects from application stage to completion. The Objective 2 programme also supports a subregional network for the delivery of horizontal themes. The activity of this network includes appraisal of projects related to horizontal themes and the development of a sustainability pack that highlights social, economic and environmental considerations.

The Shropshire Local Strategic Partnership has developed three strategic packages that focus on creating the right conditions for growth and jobs (Ecotec, 2006, p. 36). These packages complement activity at the local level and deliver strategic activities identified through the following sector strategies and policies.

- **Regenerating Communities Action Plan.** This plan stimulates the economy in disadvantaged neighbourhoods through support to voluntary and community groups, multi-purpose community facilities and social and community enterprises.
- **Tourism Action Plan.** This plan implements large, strategically important tourism projects.
- **Creative Industries Action Plan.** This plan develops strategic business projects in this sector, in line with the county-level creative industries strategy.

The Shropshire example demonstrates how mainstream funding, in this case from the EU, can facilitate local approaches that can meet both local needs and regional priorities. Support from the regional Government Office and the county-level partnership has made it possible to implement projects reflecting a broader economic development strategy. The support provided has also helped to build capacity at the local level through appropriate technical assistance and subregional cooperation and to share best practice and coordinate activities.

### 7.4 SERBIA – SUSTAINABLE AGRICULTURE AND RURAL DEVELOPMENT IN THE CARPATHIAN MOUNTAINS PROJECT

Finally, it is worth mentioning the recommendations of a 2007 study from the Food and Agriculture Organisation's Project for Sustainable Agriculture and Rural Development in Mountain Regions because it deals with a mountainous region in Serbia – an area that has much in common with the northern region of Montenegro – that can serve as a good example for policy options and initiatives (Tar, 2007).

The Carpathian Mountains in Serbia are an area of significant natural value and diversity affected by a complex set of development issues. There is no policy document or strategy in Serbia that deals specifically with the mountainous

areas or with rural development in such areas. A little more than half of the country's mountainous area is agricultural land and almost 40% is forested. Both traditional and market-oriented agricultural production systems are found. The former is characterised by subsistence farming with no specialisation, low productivity, and a declining and aging population, while the latter is commercially-oriented and the core activities are field crops and livestock production. Depopulation is a huge problem, and negative demographic trends and economic indicators are mutually reinforcing. With 11.4 % of the population living under the poverty line in 2003, the Carpathian region is still considered to be one of the most economically underdeveloped areas in Serbia and it lags behind the rest of the country in share of total GDP, number of SMEs, and other indicators. It attracts very low levels of local and foreign investment and has a high unemployment rate caused by the disappearance of key industries (Tar, 2007).

The study concluded that there should be a new approach to the development of the Carpathian Mountain region that would encourage rural actors to:

- preserve and enhance natural and cultural heritage;
- reinforce the economic environment in order to create jobs and preserve the human presence;
- improve the organisational capabilities of the communities.

The recommendations for improvement were to:

- adopt a multi-sectoral approach based on networking and cooperation;
- implement a bottom-up approach with public dialogue and involvement of the social partners;
- improve the physical and social infrastructure;
- support diversification of the rural economy;
- introduce new support lines for innovative and grassroots rural initiatives;
- strengthen support for agricultural product development;
- strengthen regional resource management;
- reform existing network and establish a rural development advisory.

## 8. CONCLUSIONS AND RECOMMENDATIONS

The conclusions and recommendations in this section are based on the main findings of the focus groups and validation meeting discussions. The focus group meetings in Rožaje, Plav and Kolasin confirmed a number of key observations stated in several reports and studies about the northern region and also identified issues specific to the three target municipalities. These meetings also gave rise to some interesting proposals for future action that could be considered at both local and central levels in Montenegro. The project's key stakeholders confirmed the main findings from the focus groups at the validation meeting held on 2 March 2011 in Kolasin and made some additional comments that have been incorporated into these recommendations.

In general, the comments made by focus group participants tended to corroborate the findings in the national and international literature on Montenegro's northern region. These include the ongoing economic development problems and associated social problems (for example, the poverty, high levels of long-term unemployment, and emigration) that have affected the region in the past decade. The problems identified are the result of numerous factors, including the transition process, the unbalanced economic growth of Montenegro along its southern and central axes as well as national policy choices, which to date have not been very effective in ensuring the more balanced socioeconomic development of the country or in reducing or mitigating the negative impact of the transition process. Following, is a summary of the key conclusions from the focus group discussions.

### 8.1 KEY CONCLUSIONS

#### **Long-term unemployed (including women, the inactive population and social benefit recipients)**

Nearly all the comments of the unemployed regarding their current situation and the difficulty of finding work refer to objective external factors, such as the closure of the large industries in the area, ageism, the use of cheap immigrant labour, low wages that are not attractive enough for the locals to accept and which discourage labour mobility and seasonal employment. They also lamented the lack of greater local and central government involvement in the task of stimulating economic activity and investment in their municipalities. Another external factor perceived as limiting employment opportunities is nepotism in recruitment (commented on in both Rožaje and Plav), which means it must be a considerable issue. This is also a good example of how certain socioeconomic informal arrangements can sometimes obstruct access to the labour market for the majority.

In the view of the unemployed, the main subjective factors affecting their ability to find employment are their age (those over 40) and their low level or lack of skills matching the needs of the local labour market. These factors often discourage them from seeking employment. Although they were all positive about the opportunity to receive training in EAM courses, they also felt that their qualifications and training were not in demand in the local economy, and some of them were not aware of the qualifications required. Finally, the participants stated that the practice of unregistered work (whether or not the person was receiving social benefits) is well known and tolerated.

#### **EAM and CSW representatives**

The comments from the EAM and CSW representatives addressed structural or systemic issues of unemployment and the mismatch between local labour supply and demand. Some positive initiatives addressing local labour demands have taken place, such as the example of the training initiative with Bota Ltd in Rožaje, but in general the overall approach is not consistent. They also suggested encouraging apprenticeships in companies and policy options to make credit more easily accessible to unemployed individuals who want to be self-employed. They too acknowledged the practice of unregistered work by social service beneficiaries, the unemployed and non-beneficiaries as well as the widespread existence of unregistered work and businesses. It would seem that these practices are tolerated because of limited policy options, and/or as an acceptance of the socioeconomic and political dynamics of the communities EAM and CSW serve.

#### **Business and local government representatives**

Local government and particularly business representatives concentrated their comments on the lack of investment in their sectors, the lack of favourable conditions for investment, the continuing practice of informal business activity, the need to upgrade the regional infrastructure, and the absence and/or limited presence of state policy initiatives. These comments highlight the ad hoc and segmented character of interventions, which are not part of a comprehensive

strategy and tend to be unevenly implemented. This piecemeal approach makes it difficult to achieve sustainable, positive results in the region's economic development that would increase employment and reduce poverty. The ad hoc approach to regional socioeconomic development also highlights the limited and uneven development of human resource capacity in the central and local public sector and its lack of ability to manage and more effectively implement sustainable economic, employment and training policies. In assessing this it is, of course, always essential to take into consideration the economic, demographic and geographical difficulties of the region as well as the prevailing political and policy framework.

The local governments have been responsible for some notable initiatives, such as the municipal development strategy adopted by Rožaje. This local development strategy document has also identified the three strategic economic sectors with potential in the municipality: tourism and catering, agriculture and cattle rearing, and wood processing. But the local education systems are not adapted to meet the needs of the labour market, and do not produce enough skilled workers (medium-level). Consequently, there are many labour shortages (vacancies that can not be filled). [Kolasin validation meeting.] The participants recognised the lack of relevant skills in the local labour market and the need for better coordination and matching between the training provided and labour market demand. Some of the participants commented that while tourism may contribute to the economic development of their areas, its seasonal nature would not necessarily give rise to sustainable employment.

Businesses also felt that financial institutions do not adequately support their business growth because access to capital remains limited, usually due to the need for demanding guarantees and collateral for loans and to the greater focus of financial institutions on large enterprises rather than SMEs. In the view of the business participants, there are no effective central government policies to facilitate the increase of capital flows to SMEs. Business did not elaborate much on the causes of unemployment in their areas of operation. Their reaction to questions about the unemployed and youth basically fell into two categories: the need for positive systemic intervention, such as the reduction of taxes and levies on employees; and the need to support companies providing jobs for people with disabilities, older people, and the long-term unemployed.

The response from business concerning recipients of unemployment benefit and the registered unemployed was to advocate a social policy intervention based more on penalties and sanctions, such as the removal from the unemployment register of people who are offered a job but do not accept it and those who are known to be working while receiving benefits, and withdrawing social benefits from able working people. Common international practices with respect to registered unemployed individuals who reject job offers include more intensive case management, stricter reporting mechanisms regarding job search activities, and the imposition of sanctions and penalties, such the suspension of unemployment benefit for a certain period of time and, if the situation should recur, prolonging the suspension. Eventually, unemployment benefit may be terminated and the unemployed person removed from the register.

However, all these measures must be considered in the specific socioeconomic context. In the case of the northern region of Montenegro, prolonged suspension or termination of unemployment registration and/or benefit could be counterproductive for at least two reasons. Firstly, removing an unemployed person from the register may deny him or her access to income support because certain people may be unable to find work (for example, males over 55), and secondly such actions may drive more people into the already sizeable grey economy. When considering such policies, it is also necessary to consider and support them with other parallel and related policy actions of a practical character and ensure social justice for all sides. In the northern region, one such important policy action needed is to effectively address the problem of non-registered business activity. Reduction of the grey economy was regarded by all the focus group participants as crucial to the development of a healthy and competitive labour market and business activity.

In conclusion, the results presented in this report underline how critical it is to take measures at national, regional and local levels to address the long-term unemployment problem in the northern region of Montenegro. This must be done not only through specific local employment and economic development initiatives, but also, more importantly, by the creation of a cohesive strategic framework through the effective implementation of Montenegro's new Regional Development Strategy adopted in July 2010. National, regional and local strategies should work together and complement each other, and the active involvement of all of the key local community stakeholders is essential to harness their human and material potential and bring it to bear on the task of achieving greater socioeconomic and welfare development in the region.

## 8.2 POLICY RECOMMENDATIONS

This report takes into account most of the recommendations that emerged from the focus groups and the validation meeting. The recommendations also acknowledge the importance of coordination with other EU and international funded projects dealing with local economic and employment development in the northern region including the following: the EU-funded Labour Market Reform and Workforce Development project implemented to develop local employment and HRD strategies in Mojkovac, Bijelo Polje, Pljevlja and Berane; the Regional Development Agency for Bjelasica, Komovi and Prokletije funded by the Austrian Development Agency; improvement of VET training in tourism

and agriculture in the north-east funded by the Luxembourg Development Agency; and the Local Economic Development Programme launched in 2010 by the United States Agency for International Development to strengthen the agriculture and tourism sectors in the north. These projects have the potential to provide good practices and synergies for collaboration in specific local employment and economic activities of mutual interest.

The policy recommendations start with the more general policies and then move on to more specific proposals. Intentionally, no suggestions have been made regarding the possible responsibility of specific institutions or stakeholders. They include a mix of different national, regional and local measures to be carried out in the short, medium and long term. Naturally, it is up to the Montenegrin government and local authorities to take these recommendations further and to design and implement the necessary follow-up actions. Together, they constitute a comprehensive and integrated package of policies relating to the economy, the labour market, social protection and education and training. This is exactly the approach used by EU policies and hopefully will also help donors to design and implement their own policies for Montenegro.

Bearing in mind the goals of the second stage of this project, the feedback obtained from the Kolasin validation meeting was also taken into account. Most of the participants at that meeting supported the idea that local partnerships were the essence of any initiative, but they explicitly stated a preference for more concrete actions with immediate benefits for the long-term unemployed rather than the development of another strategy on paper. Since tourism and agriculture were identified as key areas for the development of the region, these were the sectors singled out for future intervention. In both focus group discussions and the validation meeting, many suggestions and recommendations were made by the participants concerning policies, initiatives, project ideas, marketing and investment to support local agricultural and tourism activities. However, most of these suggestions relate to areas within the competency of other organisations, such as the Ministry of Agriculture and Rural Development and the Ministry of Sustainable Development and Tourism. Thus, other governmental agencies need to be involved in future initiatives.

### **Recommendation 1. Greater emphasis on local development approaches and initiatives**

There is a need for more tailor-made local development initiatives in the Northern region, which lags behind the other regions of Montenegro in terms of many objective socioeconomic indicators. National policies need to take into account the specificities of this region and, if necessary, specific rules, initiatives and projects can be launched to improve targeting and outcomes in the region. Within this framework, the Regional Development Strategy approved in 2010 provides an opportunity to the central government to fine-tune the public services according to the needs of regions. Furthermore, the ongoing donor-funded projects dealing with the development of local economies, employment and HRD in the northern region provide valuable mechanisms and tools (for example, local strategies, local development agencies, pilot local businesses and VET schools and courses) to support future interventions. Likewise, the Development Strategy of Rožaje Municipality needs to be assessed in terms of its achievements and failures so that future interventions can learn from this experience.

The four international good practices presented in Chapter 7 provide a valuable learning opportunity for the northern region, but the transferability of the practices described would need to be comprehensively assessed in the event of proposed implementation. In conclusion, any concrete future activity in Montenegro should include a LED perspective and involve all the relevant stakeholders in a given local community.

### **Recommendation 2. Rationalisation of the social protection system**

It is a fact that a number of the able-bodied registered unemployed undertake either seasonal and/or unregistered work while receiving social assistance. As a result, formal work does not pay these individuals enough (as most of the jobs available are low-paid and temporary) and the social assistance provided to certain groups may indeed act as disincentive to taking up formal employment. These individuals prefer to combine social benefits with the additional earnings from temporary informal activities. The state needs to define clear and precise eligibility criteria for social assistance that can be fully endorsed and implemented by its agencies. As an example, unemployment benefits could be separated from social/child benefits or the minimum income paid to the poor (perhaps using a separate social card like the one implemented in Serbia). The law on social protection and child protection could be amended to exclude able-bodied individuals who are under a certain age and reasonably educated from such benefits so that these resources could be used to support the really needy people. Finally, there is certainly a need for closer cooperation between the CSW, the EAM, local government and labour inspectors at both local and national levels to ensure more efficient services. Such cooperation could help increase activity and employment rates, reduce welfare dependency and promote the work ethic, particularly among young people.

### **Recommendation 3. Addressing the issue of unregistered business activities and informal employment**

Unregistered business activities and informal employment can provide a cushion in difficult economic times, but they also represent a serious impediment to sustainable long-term socioeconomic development. They constitute unfair competition for registered business, a loss of income for state bodies, and create only low-quality and low-paid jobs

which are not be considered to be 'decent jobs' by most workers. To develop a meaningful policy in this field requires in-depth knowledge on the main actors in the informal sector and the reasons for its existence. Once the situation has been analysed and is understood, a mix of carrot and stick policies can be designed and conditional support could be provided for SMEs and microenterprises to support their growth. This support could take many forms, including tax incentives, lower labour costs, skills development, business training, and access to credit. At the same time, existing measures could be more strictly implemented or new policies introduced to regulate these business activities. Developing a legal framework for immigrant labour could also help in this regard.

#### **Recommendation 4. More investment and entrepreneurship support to promote job creation in the region**

As discussed in the focus groups, the region needs investment in certain key infrastructural areas, particularly road and railway transport, to unlock its economic potential. Many studies also confirm the huge economic potential of the region if appropriate investment (local, national or foreign) were made in the following sectors: agriculture, food processing, construction, wood processing and tourism. Thus, the central government needs to meet all the relevant institutions and business sectors to agree on sectoral strategies and actions specific to the region. In addition, entrepreneurship (particularly among young people) must be encouraged in order to promote more job creation. Business start-ups and self-employment could be supported by the creation of business incubators and centres for the development of entrepreneurship. SME development could be one of the main targets of future interventions in the region. The central government could examine what policy changes and initiatives would facilitate access to credit support, from either public or private institutions, for people in the region with the capacity and ability to be self-employed.

#### **Recommendation 5. Capacity building of the employment institutions for more effective ALMMs**

ALMMs are being implemented by the EAM, MLSW and other relevant institutions. These include employment subsidies to employers, public work schemes, training and retraining measures, career guidance and vocational counselling. However, the efficiency and effectiveness of these measures are not entirely clear in terms of outcomes (for example, training is not helping the unemployed to find a job) and no impact evaluation studies are available. These measures are also subject to a number of risks, including deadweight costs, substitution effect, displacement effect and selection bias (creaming)<sup>25</sup>, when they do not specifically target hard-to-place disadvantaged groups, such as long-term unemployed, women, and people with disabilities. In this context, the institutional capacity of the EAM and MLSW could be helped, particularly at local level, to assess the impact of their active labour market policies in general and to design new programmes that will be more effective. Measures, such as the provision of direct or indirect employment subsidies (tax incentives, payment of social insurance contributions for a period of time), designing public work schemes or training programmes (eligibility criteria, type of training or specific sector) require care if the risks mentioned above are to be avoided. The EAM's capacity must be strengthened at both central and local levels to undertake more in-depth and sectoral labour market and business surveys, such as a value-chain analysis for business development as well as identifying missing skills and training needs, including in-depth interviews with local employers. These capacities are necessary for developing effective strategies in each economic sector.

#### **Recommendation 6. More responsive education and training to meet the needs of the labour market**

As confirmed by many studies and surveys, including this report, there is a mismatch between the supply and demand of labour for certain education fields and levels. It appears that most parts of the Montenegrin economy need skilled workers, people who have graduated from secondary and post-secondary specialised institutions, whereas the demand for university graduates is decreasing. However, it is also true that those who face the highest unemployment risk are workers with primary and secondary education (both general and VET). These trends are also observed in the northern region and the three municipalities studied. The occupations most in demand are in trade, agriculture, food processing, construction, wood processing and tourism. Thus, more emphasis could be given to good quality technical VET training and practical skills learned in the workplace in these sectors. Increasing the productivity of these jobs is also crucial, as this is the only way to increase low wages so that skilled workers will fill the vacancies and replace the imported foreign labour. In addition, the need to improve the core skills and competences of young people attending formal schooling is mentioned with respect to information and communications technology, foreign languages, analytical and critical skills, and teamwork. Raising the entry requirements for enrolment in higher education and developing quality criteria for accreditation of higher education institutions could help.

#### **Recommendation 7. Encouraging greater labour mobility (both occupational and geographical)**

The report reveals the low mobility of labour between occupations and regions. The primary reason identified for the limited mobility of labour to other parts of the country was the low wages and per diems paid for mainly seasonal and

<sup>25</sup> **Deadweight costs:** programme outcomes contribute nothing that would not have occurred in the absence of the programme. For example, public funds are spent on unemployed individuals who would have been hired anyway without subsidies. **Substitution effect:** a worker in a subsidised job is hired instead of an unsubsidised worker who would otherwise have been hired. The net employment effect is thus zero. **Displacement effect:** this usually refers to displacement in the product market. A firm with subsidised workers increases output, but displaces the output of firms without subsidised workers. This can also occur when individuals are given help to start businesses that reduce or crowd out regular employment elsewhere in the economy through competition in the goods market. **Selection bias or creaming:** programme outcomes are influenced by unobservable factors, usually self-selection by gender or education, or selection of the individuals most likely to succeed (the creaming effect).

temporary work. Furthermore, unemployed women (mostly married and of mature age) stressed that it would be unacceptable for them to move to other municipalities to take seasonal works because they have to take care of their families. Consequently, a number of measures could be implemented to promote professional and geographical labour mobility, particularly among young people: promotion of mobility for youth, more ambitious training programmes for skills improvement, on-the-job training and retraining, subsidies for transportation and accommodation for those who are willing to accept jobs in other regions, and so on. Also more transparent, competitive and merit-based recruitment practices should be encouraged in both the public and private sectors to overcome the problems of nepotism and ageism reported.

**Recommendation 8. Developing tailor-made measures to address the specific needs of the long-term unemployed (and women) in the region**

Although many ALMMs are implemented by the EAM, they appear to be applied in the same way to all types of unemployed people. As the long-term unemployed may need very specific, targeted and tailor-made services, the existing services may not be effective if they are not carefully adapted to their specific needs. The long-term unemployed are one of the most hard-to-place groups, thus only targeted and quality training in sectors where there is demand can be helpful, in particular employment-guaranteed courses in close cooperation with employers. Specific counselling and career guidance focused on the needs of the long-term unemployed is also needed (for instance, personal action plans). Other types of activities are self-employment training and business start-up packages to stimulate job creation as well as subsidies paid to employers to employ the long-term unemployed in certain jobs and sectors. Employment subsidies and state support for child care facilities are particularly important measures to reduce long-term unemployment among women. Activation of the unemployed through incentives that make formal work worthwhile is necessary, and tightening the rules of social benefits for able-bodied and educated individuals may also help.

**Recommendation 9. Mobilisation of local stakeholders through the design and implementation of concrete joint actions and local self-help capacity building**

It was clear from this study that there is a need to build the capacity of local stakeholders and mobilise them through the design and implementation of concrete joint actions. Concrete activity could be undertaken in the tourism or agriculture sectors in the northern region, possibly in one of the three municipalities covered. Although the specific subsector can be decided by the relevant national and local authorities (for example, organic agriculture, blueberry production, dairy production, or souvenirs and knitwear for the tourism sector), any such activity must include the following components: (i) a working group involving local authorities, public institutions, social partners and employers from the relevant sectors; (ii) involvement of relevant business associations and intermediary actors in the structured discussions on how to develop the local business environment and create viable employment; (iii) development of a local business plan including value-chain analysis and business and marketing research in the sector; (iv) training needs analysis and identification of missing skills in the proposed sector and links with training providers; and (v) development and delivery of a specific training programme in the required field for the long-term unemployed. Additional training modules can be added dealing with self-employment or business start-ups, including business and marketing strategies. Training outcomes should be closely monitored and the final impact carefully assessed.

# ANNEXES

## ANNEX 1. LIST OF PARTICIPANTS IN THE PROJECT KICK-OFF EVENT IN PODGORICA ON 23 SEPTEMBER 2010

No	Name and surname	Position
1	Vladimir Radovanić	Deputy Minister for the Labour Market and Employment Ministry of Labour and Social Welfare
2	Bojana Racković	Senior Adviser Ministry of Labour and Social Welfare
3	Carsten Olsen	Team Leader IPA Labour Market Reform and Workforce Development Project
4	Meri Lorenčić	IPA Labour Market Reform and Workforce Development Project
5	Jovan Kostic	Senior Adviser Employment Agency of Montenegro
6	Nevena Šuković	Senior Adviser Employment Agency of Montenegro
7	Vukica Jelić	Director of the Labour Bureau in Podgorica Employment Agency of Montenegro
8	Branka Ščekić	Director of the Labour Bureau in Berane Employment Agency of Montenegro
9	Hamid Kujević	Senior Adviser, representing the Labour Offices in Rožaje Employment Agency of Montenegro
10	Jasmina Jevrić	Senior Adviser on Unemployment, representing the Labour Offices in Plav Employment Agency of Montenegro
11	Ranko Šćepanović	Senior adviser, representing the Labour Offices in Kolasin Employment Agency of Montenegro
12	Šemso Hot	President of the Municipal Commission in Rožaje Confederation of Trade Unions of Montenegro
13	Emil Redžematovic	Representative of the Municipal Commission in Plav Confederation of Trade Unions of Montenegro
14	Evgenia Petkova	ETF
15	Lizzi Feiler	ETF
16	Harry Theotokatos	ETF Consultant, International Labour Market Expert
17	Dragana Radević	ETF Consultant, National Labour Market Expert
18	Srđan Perić	ETF National Project Support Expert
19	Vesna Popov	Interpreter
20	Nada Radovanić	Head of Human Resources Department Employment Agency of Montenegro
21	Danka Čulafić	Labour Bureau in Podgorica Employment Agency of Montenegro
22	Goran Bujanja	Employment Agency of Montenegro

## ANNEX 2. LIST OF STAKEHOLDERS

### National level

- Ministry of Labour and Social Welfare
- Employment Agency of Montenegro
- Ministry of Economy, Department for Regional Development
- Union of Employers
- Chamber of Commerce of Montenegro
- Montenegro Business Alliance
- Confederation of Trade Unions of Montenegro
- Social Council
- Directorate for SME Development

### Local level

- Municipality of Rožaje
- Municipality of Plav
- Municipality of Kolasin
- Local EAM offices in selected municipalities
- Centres for social work in selected municipalities
- Representatives of employers
- Regional business centre in Rožaje

### NGOs

- Foundation for the Development of Northern Montenegro (FORS)
- Regional Development Agency for Bjelasica and Komovi Region

### International organisations

- European Commission, Labour Market Reform and Workforce Development Project
- UNDP, Economy and Environment for Sustainable Development Programme
- GIZ, Economic Development Project
- United States Agency for International Development, Local Employment Development Project
- Caritas
- Food and Agriculture Organisation (FAO) project

*Note: Both local and national level stakeholders were invited to take part in the local focus group discussions. All stakeholders were invited to participate in the local workshop.*

## ANNEX 3. GUIDELINES FOR FOCUS GROUP DISCUSSIONS WITH LOCAL INSTITUTIONS AND EMPLOYERS

*Target group:* representatives of the local institutions of high importance for the study and of entrepreneurs from the selected municipalities.

### 1. Introduction (5 min.)

- Good afternoon (short introduction of who is going to manage the focus group)
- Introduction of the project and the concept of the focus group

The project entitled Combating Long-term Unemployment in the Disadvantaged Northern Region of Montenegro has been launched in cooperation with the Ministry of Labour and Social Welfare of Montenegro and the ETF, a specialised EU agency that provides advisory services and assistance in human resources development. You have been invited to take part in a discussion that will enable us to gain insight into and to understand the overall situation from the point of view of representatives of institutions and business from selected municipalities.

The overall objectives are to strengthen local capacities for labour market analysis and develop sustainable regional networks for local employment initiatives. The project is meant to inform the design and preparation of specific projects

and programmes at the local level designed to combat long-term unemployment and increase the labour market participation of women.

The subjects for discussion will be unemployment and the situation regarding employment in your municipality. The discussion will last for 90 minutes and will be recorded by dictaphone. This is essential if we are to recall everything said here today. The report of today's discussion will represent only group data and you can be absolutely sure of the confidentiality of everything you say.

I would like each of you to express your opinion. It is also desirable for you to talk among yourselves. If you do not agree with other participants, please feel free to express your opinion even though they are not addressing you. My job is to gather the opinions of each person here today. There are no correct or incorrect answers because we are interested in the opinion of your institution or company. The opinion of each one of you is very important and it will be taken into consideration in the report. I would like to ask you to speak loudly so that I can hear everything you say. Before we start, please turn off your mobile phones or switch them to silent mode.

## **2. Introduction of the participants (5 min.)**

- Introduction of the focus group participants – name, institution or company where they work, position, and for how long. Participants will write their names on cards which they will then put in front of them so that everyone can see the names of all participants throughout the focus group discussion.

## **3. Introduction of the institutions/companies (10 min.)**

- What are the main activities or business related to the labour market?
- Which institutions have provided the best cooperation? Explain the relationship with the institutions (for instance, institutional level, ad hoc level, individual request).
- Projects relating to employment in the municipality. Have you been involved in any similar project so far?

*Questions for entrepreneurs:*

- When was your company established?
- What is the company's main activity?
- How many employees are there in the company?
- How are employees recruited? Family members, friend's recommendation, job vacancy etc?
- Are there more men or women in the company?
- What is the percentage of women employed in your company?
- What criteria should they satisfy in order to work in the company and perform that job?
- Are you satisfied with the services of the Employment Agency of Montenegro?
- Have you faced difficulties in recruiting workers with specific profiles?
- What is your experience in employing the long-term unemployed?
- Under what conditions would you employ a person who has been unemployed for more than a year?

## **4. Current state of economic activities and the economy in the municipality (15 min.)**

- How would you assess the current economic activities in the municipality?
- What are the main activities or businesses in the municipality? Which economic sector has the highest number of employees?
- What are the positive aspects of the municipal economy?
- What are the negative aspects of the municipal economy?
- Which economic activities will drive future development? (Which sectors will be the engine of future development and will attract other industries and contribute to the reduction of unemployment?)

## **5. Current situation of the labour market in the municipality (15 min.)**

- How would you assess the current situation in the labour market in your municipality?
- Are there positive aspects? From your point of view, what are the positive aspects in your municipality?
- What are negative aspects of your local labour market? From your point of view, what are the negative aspects of the labour market in your municipality?
- What are the main problems in the employment process – lack of jobs, overall economic situation or inadequate workforce?
- What educational profiles are most needed? Is there a lack of any particular profile?
- What kind of basic skills are missing in the workforce?
- Which segment of the unemployed population needs assistance (the long-term unemployed, women, etc.)?

- What kind of assistance is most needed for the long-term unemployed and for those registered in the Social Welfare Centre?

#### 6. Lessons learned from past and current economic initiatives (15 min.)

- Did the economic initiatives result in a reduction of unemployment?
- What were the initiatives like? Give a short description.
- What were the results achieved by these initiatives? Were the expectations met?
- What were the positive aspects of these initiatives?
- Were there problems in the implementation of initiatives? Specify.
- Based on your experience of the implementation of other similar initiatives, which aspects require most attention? Specify the local initiatives you are familiar with in the municipality. Are you familiar with any initiatives implemented on the national level or in some other country that has had positive results?
- What kind of economic activity is most suitable for your region?
- What kind of business could be developed in the municipality?
- What is your experience with projects designed to create new business opportunities?
- What are your proposals for improving the functioning of the labour market?
- Provide a short description of projects you have participated in and something you have learned from them.

#### 7. Potential, real and practical local economic initiatives (15 min.)

- What are your ideas for developing local initiatives?
- From your point of view, what could increase the employment in your municipality (especially for women and the long-term unemployed)?
- Would you/your company participate in a similar project and the activities related to the reduction of unemployment?
- Have you got any proposals or suggestions for implementing a real and practical local economic initiative that would be useful not only for the long-term unemployed and women but also for other unemployed people?
- What would the necessary preconditions be for launching such new initiatives?
- What institutions should be involved? What institution should lead the project?
- Is the institution ready to participate in the initiative? Precisely, what would your contribution be?
- Which activities are needed to achieve the goals defined by the initiative?
- Are there constraints that affect the implementation of the initiative? What would be the main barriers to the implementation of the local initiative?
- From your point of view, what institutions should be involved in developing a local initiative?
- What institution should carry the main responsibility for leading the development of a local initiative?

#### 8. Process and resources for starting the idea for local economic development (10 min.)

- Structure, process, and resources for launching the idea of local economic development
- Would you participate in some future project, initiative or any kind of cooperation?
- Suggestions and recommendations

#### 9. Thank the participants and end the discussion

## ANNEX 4. GUIDELINES FOR FOCUS GROUP DISCUSSIONS WITH THE LONG-TERM UNEMPLOYED

*Target group:* individuals who are registered as long-term unemployed, inactive people and social benefit recipients and who are able and willing to work.

### 1. Introduction (5 min.)

- Good afternoon (short introduction of who is going to manage the focus group)
- Introduction of the project and the concept of the focus groups

The project entitled Combating Long-term Unemployment in the Disadvantaged Northern Region of Montenegro has been launched in cooperation with the Ministry of Labour and Social Welfare of Montenegro and the ETF, a specialised EU agency that provides advisory services and assistance in human resources development. You have been invited to take part in a discussion that will enable us to gain insight into and to understand the overall situation from the point of view of unemployed people.

The overall objectives are to strengthen local capacities for labour market analysis and build sustainable regional networks for local employment initiatives. The aim of the project is to inform the design and preparation of specific local projects and programmes to combat long-term unemployment and increase the participation of women in the labour market.

The subjects we are going to discuss are unemployment and the situation of employment in your municipality. The discussion will last for 90 minutes and will be recorded by dictaphone. This recording is necessary so that we can recall everything you have said. The report based on the recorded material will represent only group data so you can be absolutely sure that everything you say here will be confidential.

I would like each one of you to express your opinion. It is also desirable for you to talk among yourselves. If you do not agree with other participants, please feel free to express your opinion even though they are not addressing you. My job is to gather the opinions of each person here today. There are no correct or incorrect answers because we are interested in your personal opinion. The opinion of each one of you is very important and it will be taken into consideration in the report. I would like to ask you to speak loudly so that I can hear everything you say. Before we start, please turn off your mobile phones or switch them to silent mode.

## **2. Introduction of the participants (5 min.)**

- Introduction of the focus group participants – name, age, education, number of family members, hobbies and interests, time unemployed or whether they are on the list at the SWC. Participants will write their names on cards which they will then put in front of them so that everyone can see the names of all participants throughout the focus group discussion

## **3. Warm-up (10 min.)**

- What is your understanding of the term 'job'?
- What kind of benefits do employed individuals have in addition to money?
- What are the experiences of your friends and neighbours who are employed?
- What is it that motivates them to perform the job? Do all of them work in their chosen profession?
- How do your unemployed friends and relatives spend their free time?

## **4. Experiences of individuals with employment and unemployment (15 min.)**

- What is your work experience like? How long were you in that company? What was your position?
- Did you have a regular salary? Or did you work for some kind of fee?
- What was the main reason for the termination of that employment?
- What did you do when you lost your job?
- When you lost your job, did you get severance pay or did you get a job in another company?

*If the answer is 'No':*

- What do you think is the main reason for your unemployment?
- From your point of view, what are the main barriers to gaining employment? (Encourage respondents to explain the following barriers: the environment, commitment to the family and lack of education.)
- What are the basic requirements for employment?
- What are the most (preferable) jobs from your perspective?

## **5. Skills and knowledge (15 min.)**

- From your point of view, what is the most crucial aspect for employers when they are recruiting an employee?
- What skills are most in demand?
- Do your skills and knowledge match the needs of local employers?
- Would you like to get additional training? Please specify.
- Have you ever attended additional training or retraining courses (computers, foreign languages, skills)? Discuss your experiences of such courses.
- Have you had a chance to participate at any seminars that would improve your skills? Discuss your experience of seminars.

*Measures for additional training (5 min.)*

- What kind of institution is lacking in your municipality?
- Would you like to participate in training courses or seminars to acquire additional skills?
- Where would you like to be employed? Specify your field of interest.

**6. Attitudes regarding the current state of the economy and labour market in the municipality (15 min.)**

- On a scale of 1 to 10, how would you assess the state of the labour market in your municipality (10 = very good)?
- Do you know how many people are unemployed?
- What businesses and services have a growing presence in your municipality?
- What are the positive and negative sides of your area?
- What do you see as the potential of your municipality?
- Is there a lack of institutions?
- What are the most attractive jobs in your municipality?

**7. Experience with employment offices (10 min.)**

- Are there offices of the Employment Agency of Montenegro and social welfare centres in your municipality?
- To what extent are you familiar with their activities?
- What is your experience with these institutions?
- What was their assistance like?
- What kind of possibilities do the Employment Agency and social welfare centres offer?
- If you have received social assistance, please give details. (How often did you receive it? What amount?)
- Are you familiar with the projects of these institutions?
- How recently have you received a call, information, advice or guiding from them?
- To what extent was their support useful to you?

**8. Experience with social welfare centres (10 min.)**

- Are there social welfare centres in your municipality?
- To what extent are you familiar with their activities?
- What has your experience been like?
- What was their assistance like?
- When did you last receive a call, information, advice or guidance from these centres?
- To what extent was their support useful to you?
- How often do you receive social assistance?

**9. What kind of support do you feel is lacking and what support do you need? (10 min.)**

- Are there organisations or associations involved in labour market development in your municipality?
- Is there any NGO or other advisory service for combating unemployment?
- Precisely what kind of support do you feel is lacking?

**10. Starting your own business (15 min.)**

- Have you ever considered starting your own business?
- What kind of services would you prefer?
- What do you need to achieve it?
- Precisely what kind of support do you need?
- Do you think you have sufficient skills and knowledge to start a private business?
- Do you need any kind of specialisation in a particular area?
- Are you a member of any association or trade union?
- Are you occupied with some craft or hobby that is profitable?

**11. Suggestions (5 min.)**

- *Question for all participants:* Do you have any suggestions or vision about how you could improve your position in the labour market?
- Are you actively seeking employment?
- Do you believe in the slogan 'You should not wait for a job, go for it'?
- What are your suggestions for future steps and action plans at the local level?
- What do you expect from the future?

**12. Thank the participants and end the discussion**

## ANNEX 5. LIST OF LOCAL EMPLOYERS AND INSTITUTION REPRESENTATIVES WHO TOOK PART IN THE FOCUS GROUP DISCUSSIONS

### Kolasin, 18 November 2010

No	Name and surname	Institution/position
1	Ranko Šćepanović	Head of the Employment Office, Adviser on work with employers
2	Veselin Peković	Union of Free Trade Unions, President
3	Duško Šćepanović	Head of Social Welfare Centre office
4	Goran Rakočević	Lipovo water factory, financial sector
5	Darko Bulatović	Vila Jelka, Owner and CEO
6	Dragomir Reljić	Hotel Čile – Draha I.I.c., Owner and CEO
7	Slavko Janković	Kolasin resort 1850, Manager
8	Spasa Vlahović	Hotel Bianca, accounts department
9	Jelena Krivčević	Regional Development Agency for Bjelasica and Komovi, Executive Director

### Rožaje, 22 November 2010

No	Name and surname	Institution/position
1	Mevljuda Cikotić	Municipality, Secretariat for Entrepreneurship and Economy, Secretary General
2	Rašid Muljević	Local Business Centre, Deputy Director
3	Hamid Kujević	Employment Office, Senior Adviser
4	Mahmut Kalač	Social Welfare Centre, Director
5	Kaljević Bešić	Union of Free Trade Unions, Representative
6	Šefkija Škrijelj	Union of Free Trade Unions in Bijelo Polje for Rožaje and Plav, Representative (teacher)
7	Selman Murić	Urban Design Institute, CEO
8	Bajram Lukač	Ekobrvnare I.I.c. (wood processing company), CEO
9	Hasim Dacić	Bota I.I.c. (professional training for adults in wood processing), CEO
10	Kenan Pepić	Jelakomerc (wood processing company), Deputy Director
11	Husein Sinanović	Association of Engineers in Wood Processing, President
12	Almer Kalač	Acos I.I.c. (construction and design), CEO

**Plav, 23 November 2010**

No	Name and surname	Institution/position
1	Salih Šabović	Municipality, Secretariat for Entrepreneurship
2	Jasmina Jevrić	Employment Office, Adviser on records and mediation
3	Sead Šabović	Local Business Centre, Head of Office
4	Branka Đukić	Social Welfare Centre, Director
5	Goran Ćulafić	Union of Free Trade Unions, President
6	Emil Redžematović	Centre for Culture and Union of Free Trade Unions
7	Fikret Canović	Ex Camp Lake Views I.l.c and Monstat (Statistical Office of Montenegro)
8	Ajla Hakaj	Restaurant, Manager
9	Hala Sandženkaj	Tourist Agency Mimoza, Owner
10	Esmira Rugovac	Tourist Organisation, Director

## ANNEX 6. LIST OF LONG-TERM UNEMPLOYED INDIVIDUALS WHO TOOK PART IN THE FOCUS GROUP DISCUSSIONS

**Kolasin, 18 November 2010**

No	Name and surname	Status
1	Šćepanović Ana	Unemployed
2	Bulatović Slavica	Unemployed
3	Mulević Veselinka	Welfare support beneficiary
4	Milinković Verica	Welfare support beneficiary
5	Bojić Ljubomir	Welfare support beneficiary
6	Perišić Marija	Welfare support beneficiary
7	Antonijević Nataša	Inactive worker (not seeking employment)
8	Janjušević Olivera	Inactive worker (not seeking employment)
9	Kruščić Dragana	Unemployed
10	Šćepanović Milana	Unemployed

**Rožaje, 22 November 2010**

<b>No</b>	<b>Name and surname</b>	<b>Status</b>
1	Ajsela Luboder	Unemployed
2	Zineta Agić	Unemployed
3	Ismeta Demić	Unemployed
4	Senida Honsić	Unemployed
5	Mirzeta Murić	Welfare support beneficiary
6	Rasim Luboder	Inactive worker (not seeking employment)
7	Amel Dedeić	Inactive worker (not seeking employment)
8	Igbala	Inactive worker (not seeking employment)
9	Orhan	Inactive worker (not seeking employment)
10	Senad	Inactive worker (not seeking employment)
11	Fahreta	Inactive worker (not seeking employment)

**Plav, 23 November 2010**

<b>No</b>	<b>Name and surname</b>	<b>Status</b>
1	Hakanjin Fatmira	Unemployed
2	Joksimović Ljubinka	Unemployed
3	Deljanin Ahmet	Unemployed
4	Palavrtić Sabina	Unemployed
5	Murković Nurija	Welfare support beneficiary
6	Radžić Galjo	Welfare support beneficiary
7	Kandić Sanela	Welfare support beneficiary
8	Redžepagić Šehrija	Inactive worker (not seeking employment)
9	Stanišić Branko	Inactive worker (not seeking employment)
10	Musić Zineta	Inactive worker (not seeking employment)

## ANNEX 7. LIST OF PARTICIPANTS IN THE VALIDATION MEETING IN KOLASIN ON 2 MARCH 2011

No	Name and surname	Institution/position
1	Ranka Pavićević	Senior Adviser, Ministry of Labour and Social Welfare
2	Carsten Olsen	Team leader, IPA Labour Market Reform and Workforce Development Project
3	Vukica Jelić	Director, Labour Bureau in Podgorica, Employment Agency of Montenegro
4	Branka Šćekić	Director, Labour Bureau in Berane, Employment Agency of Montenegro
5	Hamid Kujević	Senior Adviser and representative of the Labour Offices in Rožaje, Employment Agency of Montenegro
6	Jasmina Jevrić	Senior Adviser for unemployment and representative of Labour Offices in Plav, Employment Agency of Montenegro
7	Ranko Šćepanović	Senior Adviser and representative of Labour Offices in Kolasin, Employment Agency of Montenegro
9	Ljiljana Nišavić	Employment Agency of Montenegro
10	Šemso Hot	Confederation of Autonomous Trade Unions of Montenegro (SSSCG), President of the Municipal Commission in Rožaje
11	Emil Redžematović	Confederation of Autonomous Trade Unions of Montenegro (SSSCG), Municipal Commissioner in Plav
12	Bulatović Darko	Vila Jelka, Kolasin
13	Spasa Vlahović	Hotel Bianca, Kolasin
14	Jelena Krivčević	Regional Agency for Development of Bjelasica and Komovi
15	Thomas Pornschlegel	Regional Agency for Development of Bjelasica and Komovic, Capacity Building Consultant
16	Almir Šutković	Local Business Centre, Rožaje
17	Rašid Mujević	Local Business Centre, Rožaje
18	Mahmut Kalač	Director, Welfare Centre, Rožaje
19	Kenan Pepic	Jelakomerc, Rožaje
20	Selman Murić	Urban Design Institute, Rožaje
21	Hasim Dacić	Bota I.I.c. (professional training for adults in wood processing), Rožaje
22	Salih Šabović	Municipality, Secretariat for Entrepreneurship, Plav
23	Branka Đukić	Welfare Centre, Plav
24	Goran Čulafić	Confederation of Autonomous Trade Unions of Montenegro (SSSCG), President of the Municipal Commission in Plav
25	Hale Hakaj	Krojet Restaurant, Plav
26	Esmira Rugovac	Tourist Organisation, Plav
27	Evgenia Petkova	ETF
28	Ummuhan Bardak	ETF
29	Harry Theotokatos	ETF Consultant, International Labour Market Expert
30	Dragana Radević	ETF Consultant, National Labour Market Expert
31	Srdjan Perić	ETF National Project Support Expert
32	Aleksandra Racković Mugoša	Interpreter

# ACRONYMS AND ABBREVIATIONS

<b>ALMMs</b>	Active labour market measures
<b>CARDS</b>	Community Assistance for Reconstruction, Development and Stabilisation
<b>CSW</b>	Centre for Social Welfare
<b>EAM</b>	Employment Agency of Montenegro
<b>ETC</b>	Employment and Training Corporation
<b>ETF</b>	European Training Foundation
<b>EU</b>	European Union
<b>FDI</b>	Foreign direct investment
<b>FORS</b>	Foundation for the Development of Northern Montenegro
<b>GDP</b>	Gross domestic product
<b>HRD</b>	Human resources development
<b>IPA</b>	Instrument for Pre-Accession Assistance
<b>LED</b>	Local employment development
<b>LFS</b>	Labour Force Survey
<b>LPE</b>	Local Partnerships for Employment
<b>MLSW</b>	Ministry of Labour and Social Welfare
<b>Monstat</b>	Statistical Office of Montenegro
<b>NGO</b>	Non-governmental organisation
<b>SME</b>	Small and medium-sized enterprise
<b>UNDP</b>	United Nations Development Programme
<b>VET</b>	Vocational education and training

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