



# MONTENEGRO

## REVIEW OF HUMAN RESOURCES DEVELOPMENT

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# **MONTENEGRO**

## **REVIEW OF HUMAN RESOURCES DEVELOPMENT**

**PREPARED BY EVGENIA PETKOVA, LIZZI FEILER AND SØREN NIELSEN**

October, 2010



# FOREWORD

This report is about the future of Montenegro. What are the choices that should be made regarding the education of young people, how can the education system better match labour market needs, what should be done as regards lifelong learning, and how should Montenegro deal with unemployed people or those disadvantaged in the labour market? I welcome this interesting and valuable document which I am sure will make an important contribution to Montenegro's efforts towards accession to the European Union (EU).

This report, prepared by the European Training Foundation (ETF) at the request of the Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission, seeks to set out an objective picture, harsh at times, of the situation as regards human resources development in Montenegro. The analysis is comprehensive and clear and consistently based on facts and figures. The review also aims to provide options and recommendations for a future human resources development strategy.


The report underlines the difficulties faced by Montenegro, while confirming its great potential. As such the report presents the challenges and requirements for (further) change.

We believe this report will help Montenegro, which has not yet received candidate country status, to progress towards a medium term operational programme for human resources development, addressing its current weaknesses and preparing it for the challenges of tomorrow. Any such programme should be elaborated in partnership with all relevant stakeholders, the social partners in particular.

Since 2007, the Instrument for Pre-Accession Assistance (IPA) supports five policy areas, including human resources development (Component IV). It helps candidate countries to fulfil EU requirements and in particular to prepare them for the use of the European Social Fund.

I believe this independent review will help Montenegro in its preparations for the IPA. It will make programming, and related choices, concrete. Progress on programming will soon make clear that resources are essential for delivery. The establishment of a modern administration, applying accountability and transparency as key principles, is vital.

Real progress on these elements – programming, partnership and institutional capacity for management of the European Social Fund – would indeed constitute a very positive signal to the European Union. I hope that this excellent report will assist Montenegro in doing exactly that.

  
 13/10/2010

*Robert Verrue*  
 Director General for Employment,  
 Social Affairs and Equal Opportunities  
 European Commission



# PREFACE

Over the past 15 years, the EU enlargement process has provided solid evidence that human resources are extremely important in the wide-ranging reforms launched by countries on their road to EU membership. At present, the Western Balkans and Turkey invest huge effort in harnessing the potential of their human capital and maximising its contribution to economic and social welfare.

The Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission asked the ETF to draft a human resources development country review for Montenegro. This has given the ETF the opportunity to look at the development of human resources as both an aim and a means of EU driven reforms. This review reflects the ETF's understanding of the major human resources development challenges faced by the country vis-à-vis its overriding objective of EU accession and its endeavours to achieve sustainable growth, increase prosperity and enhance social cohesion. It is my hope that the findings and conclusions of the review will inform the IPA programming exercise of the European Commission and the national policy-making process.

The review has been prepared by the ETF country team for Montenegro. It focuses on the interplay between two major aspects of human resources development: education and training in a lifelong learning perspective and employment. The review also reflects on the importance of equal opportunities in society for the quality of human capital development and takes into consideration the inclusiveness of Montenegro's education, training and employment systems.

Relevant national and international documents, research papers and studies have provided a solid frame of reference for the review. In the process of collecting up-to-date information and the verification of the main findings and conclusions, ETF experts have consulted and involved key national stakeholders. During a series of missions to Montenegro between November 2009 and February 2010, the ETF team conducted interviews and discussions with representatives in the Ministry of Labour and Social Welfare, the Ministry of Education and Science, the Ministry of European Integration, the Employment Agency of Montenegro, the Vocational Education Centre, the Bureau for Educational Services, education institutions and employment offices, the main social partners and civil society organisations, as well as the EU Delegation in Podgorica, and bilateral and international donors. The draft version of the review was discussed at a national workshop held on 22 June 2010 in Podgorica.

On behalf of the ETF, I wish to thank the Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission for entrusting us with the preparation of the review. I would also like to extend my thanks and appreciation to all experts and institutions in Montenegro for their responsiveness, involvement and valuable contributions to this paper. I am convinced that this report can be used effectively to better inform decisions and actions at both European and national levels. At the same time, I would like to underline the importance of continuity in the policy-making process at national level, in all its phases: policy formulation, implementation, monitoring and evaluation, and to assure Montenegro that the ETF will continue to provide support for fostering the development of the human resources in the country.



*Madlen Serban*  
Director  
European Training Foundation





# CONTENTS

<b>FOREWORD</b>	<b>3</b>
<b>PREFACE</b>	<b>5</b>
<b>EXECUTIVE SUMMARY</b>	<b>11</b>
<b>1. POLITICAL AND SOCIOECONOMIC BACKGROUND</b>	<b>13</b>
1.1 European, regional and national political contexts . . . . .	13
1.2 Demographic developments and trends. . . . .	13
1.3 Economic developments and trends – effects of the economic crisis . . . . .	14
Tables and figures . . . . .	16
<b>2. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EDUCATION AND TRAINING IN A LIFELONG LEARNING PERSPECTIVE</b>	<b>19</b>
2.1 Investments in human capital. . . . .	19
2.2 Lifelong learning strategies, broadening the education and training supply and recognising qualifications . . . . .	20
2.3 Issues and strategies relating to early school leavers . . . . .	21
2.4 Issues and strategies relating to access to and quality of secondary vocational education and training. . . . .	22
2.5 Issues and strategies relating to access to and quality of higher education. . . . .	24
2.6 Issues and strategies relating to learning in schools and teachers. . . . .	25
2.7 Vocational counselling and guidance . . . . .	26
2.8 Capacities of ministries and their agencies, social partners and civil society organisations. . . . .	26
Tables. . . . .	27
<b>3. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EMPLOYMENT</b>	<b>35</b>
3.1 Structure of the labour market . . . . .	35
3.2 Flexicurity . . . . .	37
3.3 Job creation . . . . .	39
3.4 Institutional arrangements and capacities in employment policy . . . . .	39
Tables and figures . . . . .	40

<b>4.</b>	<b>KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN SOCIAL INCLUSION</b>	<b>55</b>
4.1	Policy initiatives and programmes for vulnerable groups . . . . .	55
4.2	Social inclusion in education . . . . .	56
4.3	Social inclusion in employment . . . . .	57
4.4	Regional cohesion. . . . .	58
	Tables and figures . . . . .	58
<b>5.</b>	<b>MAIN DONOR INTERVENTIONS IN HUMAN RESOURCES DEVELOPMENT</b>	<b>63</b>
5.1	Employment . . . . .	63
5.2	Education and training . . . . .	63
5.3	Higher education. . . . .	63
5.4	Other donor activities and projects. . . . .	63
5.5	ETF initiatives . . . . .	64
<b>6.</b>	<b>MEDIUM-TERM CHALLENGES AND OBJECTIVES (FIVE-YEAR PERSPECTIVE)</b>	<b>65</b>
6.1	Main challenges . . . . .	65
6.2	Main objectives as defined in national policy papers . . . . .	67
6.3	Implications for institutional capacities and capacity development . . . . .	69
<b>7.</b>	<b>STRATEGIC PRIORITIES AND RECOMMENDATIONS</b>	<b>71</b>
7.1	Education and training in a lifelong learning perspective . . . . .	71
7.2	Towards a well-functioning and inclusive labour market . . . . .	73
7.3	Enhancing social inclusion . . . . .	74
	<b>ABBREVIATIONS AND ACRONYMS</b>	<b>77</b>
	<b>BIBLIOGRAPHY</b>	<b>79</b>

## LIST OF TABLES

Table 1.1	Dependency ratios, 2000–08 . . . . .	16
Table 1.2	Age structure of the population, 2001–31. . . . .	16
Table 1.3	Gross domestic product, 2001–08 . . . . .	17
Table 1.4	GDP by economic sector, 2000–08. . . . .	17
Table 1.5	Macroeconomic indicators for IPA countries and EU benchmarks . . . . .	18
Table 2.1	Ministry of Education and Science budget, 2008 . . . . .	27
Table 2.2	Number of higher education students by source of financing, 2005–09. . . . .	27
Table 2.3	Education system . . . . .	28
Table 2.4	Organisation and administration of the education and training system. . . . .	29
Table 2.5	Population aged 15 and over by educational attainment and age, 2009 . . . . .	30
Table 2.6	Adult learning and education programmes . . . . .	30

Table 2.7	Number of students in pre-primary, primary and secondary schools, 2006–09 . . . . .	32
Table 2.8	Gross enrolment rates in pre-primary, primary and secondary schools, 2004–09 . . . . .	32
Table 2.9	Performance in PISA, 2006 . . . . .	32
Table 2.10	Number of students in higher education institutions, 2008/09 . . . . .	33
Table 2.11	Education indicators for IPA countries and EU benchmarks . . . . .	33
Table 3.1	Population and employment, 2004–09 . . . . .	40
Table 3.2	Activity, employment and unemployment rates, 2004–09 . . . . .	40
Table 3.3	Unemployment rates by age and gender, 2007–09 . . . . .	41
Table 3.4	Mismatch between supply and demand: qualification level of registered unemployed and of vacancies . . . . .	42
Table 3.5	Duration of unemployment, 2007 and 2008 . . . . .	43
Table 3.6	Long-term unemployment, LFS and registered unemployment, 2004–09 . . . . .	43
Table 3.7	Activity rates by education level, age and gender (EES indicator 17.M4), 2005–09 . . . . .	44
Table 3.8	Employment rates by education level, age and gender (EES indicator 17.M1, 17.M2), 2005–09 . . . . .	45
Table 3.9	Structure of employment by sector, 2009 . . . . .	46
Table 3.10	Unemployment rates by education level, age and gender (EES indicator 17.M3, 18.M1), 2005–09 . . . . .	47
Table 3.11	Unemployment rates by education level and gender (% of total unemployed population), 2007–09 . . . . .	48
Table 3.12	Registered unemployment, public employment service data, 2004–09 . . . . .	49
Table 3.13	Active labour market measures implemented by EAM . . . . .	50
Table 3.14	EAM expenditure, 2005–10 . . . . .	51
Table 3.15	Territorial differences in unemployment, 2009 . . . . .	51
Table 3.16	Main social assistance benefit systems, 2007 . . . . .	52
Table 3.17	Wage levels and the role of trade unions in wage setting . . . . .	52
Table 3.18	Unemployment rates and passive labour market measures, 2008 . . . . .	53
Table 3.19	Labour market indicators for IPA countries and EU benchmarks . . . . .	54
Table 4.1	Non-monetary poverty indicators, 2006 . . . . .	58
Table 4.2	Poverty and social exclusion rates among the most vulnerable groups . . . . .	59
Table 4.3	Special education institutions . . . . .	59
Table 4.4	Selected Laeken indicators . . . . .	60

## LIST OF FIGURES

Figure 1.1	Live births, deaths and natural population growth, 1991–2008 . . . . .	16
Figure 1.2	Economic freedom index, 2010 . . . . .	17
Figure 3.1	Activity, employment and unemployment rates, 2004–09 . . . . .	41
Figure 3.2	Unemployment rates by age and gender, 2007–09 . . . . .	42
Figure 3.3	Qualification level of registered unemployed and job vacancies, 2008 . . . . .	42
Figure 3.4	Long-term unemployment, LFS and registered unemployment, 2004–09 . . . . .	43
Figure 4.1	Students with special education needs enrolled in regular schools, 2007/08 . . . . .	61



# EXECUTIVE SUMMARY

In line with the thematic priorities of the Instrument for Pre-Accession Assistance (IPA) human resources development operational programme and the remit of the European Training Foundation (ETF), the aim of this country review is to analyse how education and training from a lifelong learning perspective, employment and social inclusion contribute to the development of human resources in Montenegro.

Montenegro, which has a population of around 630 000, has undergone radical political, economic and social transformations in recent years and through a peaceful process became an independent state in 2006. The country has enjoyed political stability, and EU accession is a nationally shared policy anchor for the reform process.

Montenegro has successfully completed the first stage of economic transition by achieving macroeconomic stability and launching market reforms. The post-independence period has seen double-digit growth rates driven by foreign direct investments (FDIs). With tourism as the engine of growth, the structure of the economy has radically changed, and 72.5% of the workforce is now employed in the service sector. Small and medium-sized enterprises (SMEs) represent 99.8% of businesses and 60.0% of national gross domestic product (GDP). The economic boom during the post-independence period has been interrupted by the global economic crisis, and the prospects for a rapid and full recovery are not very reassuring. There is a need for a shift away from the previous growth model, which was based on external drivers, and towards a new growth pattern that relies to a greater extent on home-grown factors such as innovation, productivity and knowledge intensity.

The economic downturn has put poverty on the rise again. There are significant regional disparities in economic development and living standards. Socioeconomic inequalities influence access to and participation in education and lawful employment. Roma, Ashkelia and Egyptians, displaced people, and people with disabilities are among the poorest, most disadvantaged and most marginalised groups, and social inclusion policies have only recently been introduced.

The labour market underwent significant shifts during the transition phase. Structural deficiencies remain, with low employment rates (48.8%), a low female participation rate, and regional disparities. While there has been a remarkable reduction in unemployment, the recent economic deceleration has caused it to increase again (to 19.1%), and there is a high incidence of long-term unemployment (15.5% of the labour force) and youth unemployment (34.9%). These conditions have facilitated an early exit from the labour market for older workers. The labour market is segmented, with fixed contracts on the increase and informal employment persisting.

A wide range of active labour market measures (ALMMs) have been implemented, but these need to be better targeted towards vulnerable groups. The job placement and referral system needs to be improved further. The social security element of passive labour market policy is still weak, with the unemployment benefit scheme having limited coverage (only a third of the registered unemployed receive unemployment benefits), a low wage replacement rate and strict entitlement rules. The capacities of the public employment services have been continuously improved, but such services do not reach one-third of those who are unemployed according to labour force surveys (LFS). Comprehensive activation measures need to be implemented in order to tackle the problems of inactivity, long-term unemployment, and regional and gender disparities. New jobs and vacancies are an important condition for effective activation of unemployed individuals, but in spite of comparatively favourable business conditions, insufficient jobs have been created. Employment policy lacks coordination and strategy, feasible goals and effective implementation; strategic capacities, and delivery and monitoring systems need to be reinforced.

The education and vocational education and training (VET) systems, on the other hand, do not adequately serve the changing needs of the labour market, despite the reforms conducted so far. There has been a lack of comprehensive skill needs analyses to inform VET policy, and the communication systems between the labour market and VET need to be improved. The mediation system provided by the social partners is still too weak, and there is a need to create skill-forecasting capacity within the country. While occupational standards and curricula have been revised, practical skills training, training for key competences and the overall quality of VET provision are still underdeveloped. There is lack of counselling and guidance within the formal education system. There is an acute need for adult learning provision at all levels, and although lifelong learning is a policy priority, much remains to be done. The process of developing a national qualification framework (NQF) has been launched.

Public financing of education and training, which is still mainly input-based, has declined, while private spending has increased. Decentralised governance has enabled schools to have greater influence on curricula, finance and administration. However, school leadership needs to be reinforced, and teaching and learning processes in schools need to be modernised. A key factor is teacher competences: adequate pre-service vocational teacher education should be established, and continuing development of teacher competences needs to be reinforced at all levels. Training for key competences appears to be most relevant in terms of emerging labour market needs. Education reforms have, on the whole, been strongly influenced by donors, with too many policy

and strategy documents developed. Montenegro could profit from building its own capacity for policy design and implementation.

In addition, this review formulates a number of recommendations in relation to social inclusion, such as increasing the participation of vulnerable groups in quality education and training and in decent employment, supporting regional cohesion through the development of comprehensive strategies for the northern region, and mainstreaming social inclusion.

The concluding message of the report is that although in the past two decades Montenegro has carried out intensive reforms in its education, employment and social protection systems that have brought about impressive results, more remains to be done in order to ensure alignment with EU standards and to achieve the overarching goal of EU accession for the country.

# 1. POLITICAL AND SOCIOECONOMIC BACKGROUND

## 1.1 EUROPEAN, REGIONAL AND NATIONAL POLITICAL CONTEXTS

### Peaceful move to recent independence

Montenegro, formerly a republic within the State Union of Serbia and Montenegro, regained its independence following a referendum on 21 May 2006. Despite some fears prior to secession, Montenegro currently appears to be a politically stable and economically viable state. Montenegro's political system is a parliamentary democracy; the political landscape is pluralistic. Democracy, the rule of law, and respect for human and minority rights have become essential values that have been enshrined in the new Constitution adopted in October 2007.

### International recognition and the EU perspective

The main concern for Montenegro following independence was to secure international recognition for its statehood by joining major international organisations and institutions<sup>1</sup>. Speeding up its participation in the EU enlargement process was of prime importance for the country. On 22 January 2007 the EU Council adopted a decision on European partnership with Montenegro, and the country signed a Stabilisation and Association Agreement with the EU (October 2007, entry into force 1 May 2010), an Interim Agreement on trade and trade-related issues (October 2007), a Framework Agreement of the Instrument of Pre-Accession Assistance (November 2007), and visa facilitation and readmission agreements with the EU (September 2007). In December 2009 Montenegrin citizens were granted the right to visa-free travel within the Schengen area for up to 90 days in any six-month period. On 15 December 2008 Montenegro submitted its official application for EU accession, with the Opinion of the Commission on Montenegro's application in progress and expected to be submitted to the Council in 2010.

### EU drivers behind the national reform processes

Montenegro has had a solid record of transition and reform over the past decade. It has successfully laid the foundations for a market-based economy and strengthened democratic institutions, and is gradually building capacity in public administration to cope with political, social and economic transformations.

Montenegro's prospective EU membership is the central priority for the country and shapes its national policy agenda. The firm commitment to the EU accession process, combined with limited administrative and institutional capacities for its implementation, form the particular backdrop against which human resources development reforms are taking place in Montenegro.

## 1.2 DEMOGRAPHIC DEVELOPMENTS AND TRENDS

### Decreasing demographic growth, increasing levels of human development

In 2008 Montenegro had a population of 628 804 (Monstat, 2009b), with very low population density, amounting to less than half the density of the EU-27 (Eurostat, 2009c). Life expectancy at birth is also lower than in the EU-27, by six years for males and eight years for females (Eurostat, 2009c). Montenegro has recorded population growth every year in the past two decades (**FIGURE 1.1**), but a downturn is expected in the longer run: the UN World Population Prospects forecast that the population will increase to 634 000 by 2030, and will subsequently decrease to 618 000 in 2050.

The age structure of the population has changed, with the proportion of the population who are aged over 65 increasing from 8.2% in 1991 to 11.9% in 2003. The proportion of the population who are aged 14 years or younger fell from 25.3% in 1991 to 20.6% in 2003, while the working-age population increased by 1.1%<sup>2</sup>. The young- and old-age dependency ratio data (2000–08) confirm these demographic trends (**TABLE 1.1**), which are expected to persist in the future as a result of the improved longevity and declining fertility rate in Montenegro (**TABLE 1.2**).

Montenegro belongs to the group of countries with high levels of human development as measured by UNDP (composite index, calculated on the basis of indicators of life expectancy, educational attainment and income; values ranging from 0 to 1). Moreover, the country's human development index (HDI) has been rising in recent years: while it stood at 0.802 in 2003, it reached 0.834 in 2007, thus ranking Montenegro 65th out of 182 countries, leaving behind Turkey and the remaining Western Balkan countries except Croatia (UNDP, 2009a).

<sup>1</sup> Membership of the OSCE: 21 June 2006; UN: 28 June 2006; EBRD: 6 September 2006; IMF and World Bank: January 2007; Council of Europe: 11 May 2007; NATO: official invitation to join the Alliance's Membership Action Plan, 4 December 2009; Montenegro has also become a member of CEI, FAO, ILO, IMO, Interpol, IOC, IOM, UNESCO, UNHCR, UNIDO, WHO, WIPO, WMO and WTO (observer).

<sup>2</sup> ETF calculations made on the basis of Monstat data.

### An emerging labour immigration destination

From a country of emigration, Montenegro has increasingly become a destination for labour migrants, mainly from Serbia, Bosnia and Herzegovina and Kosovo (UNSCR 1244/99), as a result of the higher salaries and the labour shortages in the country, mainly in tourism, agriculture and construction. In 2005 Montenegro was ahead of all enlargement countries (with the exception of Croatia) in terms of the proportion of its total population who were migrants (8.7%) (UNDP, 2009a). The presence of seasonal migrants remains a significant characteristic of the Montenegrin labour market, although their number decreased from approximately 40 000 in both 2007 and 2008 to around 16 000 in 2009.

Today, Montenegrin labour emigration stocks are estimated to be around 55 000, and the total migrant stock to be around 130 000–140 000 (Kupiszewski et al., 2009). According to the 2003 census, over 8.6% of Montenegrins live or work abroad (Monstat, 2009b), mainly in the EU and North and Latin America. Efforts have recently been made to establish links to the Montenegrin diaspora with a view to attracting investors and maintaining their links with their homeland (Kupiszewski et al., 2009).

### Considerable ethnic diversity

According to the 2003 census, the largest proportion of Montenegrin citizens, 43.16%, declared themselves to be ethnic Montenegrins, 31.99% ethnic Serbs, 7.77% Bosnian, 5.03% Albanian, and 3.97% Muslim. Officially ethnic Roma account for only 0.46% of the overall population, or 2 826 people (Monstat, 2009b), though estimates (UNDP, 2009b; OSI, 2006) suggest that this number is between 11 001 and 13 510, approximately 1.75–2.02% of the population. Although a climate of respect and tolerance exists among different ethnic groups in Montenegro, ethnic diversity is seen as a challenge, rather than as an opportunity for the country. According to latest data provided by the Government of Montenegro, 24 282 displaced people were living in Montenegro in 2009 (UNDP, 2009b), representing 3.86% of the Montenegrin population.

## 1.3 ECONOMIC DEVELOPMENTS AND TRENDS – EFFECTS OF THE ECONOMIC CRISIS

### Macroeconomic stability achieved, privatisation almost completed

Montenegro is a small, open, service-based, upper-middle-income economy (as classified by the World Bank) that is in the process of transition to a fully functioning market economy. First-stage transition reforms have almost been completed, with price liberalisation and macroeconomic stability achieved and the euro introduced<sup>3</sup> as the official currency (2002). By

June 2009 more than 85% of capital value in Montenegrin companies had been privatised: the dominant industry (the large aluminium complex KAP), the banking sector, telecommunications, oil import and distribution, capital market (including stock exchange companies and brokerage) and agriculture are 100% privately owned (MIPA, 2009).

### Double-digit pre-crisis GDP growth

Between 2001 and 2006 the economy grew at an average annual rate of 3%. The post-independence period was marked by higher GDP growth, reaching double-digit rates (**TABLE 1.3**). The 2008 GDP per capita of €4 908 was higher than in the rest of the Western Balkan countries except Croatia (Eurostat, 2009b). In 2009 Montenegro's per capita income, measured in purchasing power standards, rose to 46% of the EU-27 average, compared with 41% in the previous year (European Commission, 2009).

The GDP growth rate was primarily driven by a significant increase in FDI. Gross FDI represented 40% of Montenegro's GDP in 2007 (World Bank, 2008). In 2006 no other country in Europe or Central Asia attracted more FDI per capita than Montenegro (World Bank, 2008). Following the pre-independence period, when most FDI were made through privatisations (banks, telecommunications, and heavy industry), major FDI inflows after 2006 have primarily targeted the high-potential tourism and the associated real-estate sector, as well as banking (IMF, 2009).

### Significant post 2008 slowdown, sluggish recovery expected

The global financial and economic crisis has seriously affected the Montenegrin economy. The post-independence boom, which was triggered by bold reforms and strong inflows, nevertheless had a narrow base and aggravated underlying vulnerabilities. The sharp deterioration in the external environment after October 2008 caused a severe contraction of economic activity, resulting in a 5.3% decline in GDP in 2009 (European Commission, 2010). The European Bank for Reconstruction and Development forecast for Montenegro's GDP growth in 2010 stands at a marginal 0.1 % which would be the lowest figure in the region (EBRD, 2010).

### Need to further improve the business climate

Since the 1990s Montenegro has been making progress in establishing a business-friendly economy with low taxes and minimal state interference. Montenegro was ranked 71st among the 183 countries reviewed in the Doing Business 2010 report (World Bank et al., 2009), which measured the conduciveness of the regulatory environment to the operation of businesses, and 68th among 179 nations in a survey by the Heritage Foundation and the Wall Street Journal (2009) regarding economic freedoms (**FIGURE 1.2**).

<sup>3</sup> Montenegro uses the euro as legal tender, though it is not part of the Eurozone.



According to the World Economic Forum's Lisbon Review 2010 report, Montenegro is the closest of the non-EU group of countries to meeting the criteria of the Lisbon strategy for economic and structural reforms (WEF, 2010). Despite these high scores, Montenegro continues to suffer from inefficient government services, an inadequate infrastructure, insufficient access to financing, corruption and an inadequately educated workforce, and these act as major obstacles to doing business in the country (WEF, 2009a).

### **Large informal sector and corruption**

The country's grey economy remains extensive. According to a 2005 survey, the informal economy in Montenegro accounted for around 25% of registered GDP. Informal activities are more common in some economic sectors, including retail (38.1%), agriculture (18.2%), catering (19.1%), construction (10.8%) and transport (9.6%), than in others (ISSP, 2009). Some 27% of services firms in Montenegro are believed to be competing against unregistered or informal firms, while almost 11% of all firms identify the practices of competitors in the informal sector as being a major constraint for sustaining and developing their business (World Bank, 2009).

As in many countries in transition, the shadow economy and corruption go together in Montenegro. There is a widespread perception of corruption in the country, particularly in the government and judiciary and with regard to the privatisation of state-owned firms and conflict-of-interest implementation of legislation; 23% of local firms believe that they are expected to offer gifts in order to secure a government contract (World Bank and IFC, 2009). Montenegro ranks 69th out of 180 countries in Transparency International's Corruption Perceptions Index for 2009, scoring higher than Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia, yet lagging behind Turkey and Croatia.

### **An evolving service-based economy**

The past 15 years of transition have brought about changes in the structure of the economy. As **TABLE 1.4**

shows, in 2000 agriculture generated 12.5% of Montenegro's GDP, while by 2008 its share had fallen to 8.9%. In contrast, the service sector's share of GDP increased from 64.1% in 2000 to 73.2% in 2008. These data illustrate the depth of the structural transformation that Montenegro's economy has undergone, having succeeded in becoming – unlike most Western Balkan countries – a modern economy with a predominant tertiary sector (**TABLE 1.5**). Tourism has been the engine of growth of the Montenegrin economy as a whole, and has affected the acceleration of other related branches by influencing the development of sectors including transportation, construction, real estate, telecommunication, food processing and catering.

### **Economic landscape dominated by small and micro businesses**

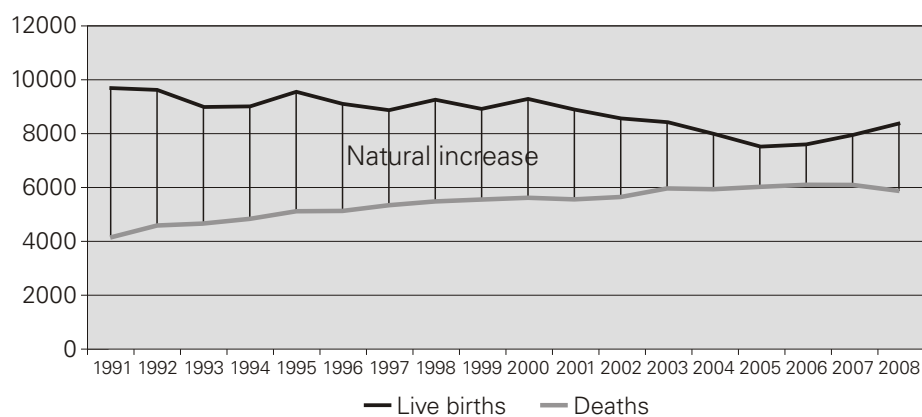
SMEs are the backbone of the Montenegrin economy, representing 99.8% of all registered businesses and accounting for approximately 60% of national GDP. Micro companies (up to 10 people) prevail (77% of the total), followed by small (9.6%) and medium-sized enterprises (2.8%). While SMEs are dominant in all economic sectors of Montenegro, evidence suggest that SMEs are heavily concentrated in wholesale and retail trade; repair of motor vehicles and motorcycles; and personal and household goods and manufacturing (DDSME, 2007).

### **Need to boost productivity and innovation**

A recent World Bank–IFC study (2009) indicated that only 13.0% of Montenegrin companies have been ISO certified, 29.7% use the internet to communicate with clients/suppliers, and 17.2% use technology licensed from foreign companies. Another survey (OECD et al., 2009) highlights the fact that in spite of the developed legislative and institutional framework that is in place to support small enterprises, Montenegro still lags behind most of its neighbours in critical areas such as the technological capacity of enterprises. It also underlines the low growth potential of Montenegro's SMEs and the delayed introduction of measures supporting export-oriented and innovative companies.

## TABLES AND FIGURES

**FIGURE 1.1 LIVE BIRTHS, DEATHS AND NATURAL POPULATION GROWTH, 1991–2008**



Source: Monstat ([www.monstat.org/EngMeniGodisnjiPodaci.htm](http://www.monstat.org/EngMeniGodisnjiPodaci.htm)).

**TABLE 1.1 DEPENDENCY RATIOS, 2000–08**

% of working-age population	2000	2005	2006	2007	2008
<b>Age dependency ratio</b>	45.0	48.6	48.7	48.4	47.9
<b>Age dependency ratio – old</b>	13.7	18.7	19.1	19.2	19.0
<b>Age dependency ratio – young</b>	31.3	29.9	29.6	29.3	28.9

Source: World Bank, World Development Indicators.

**TABLE 1.2 AGE STRUCTURE OF THE POPULATION, 2001–31**

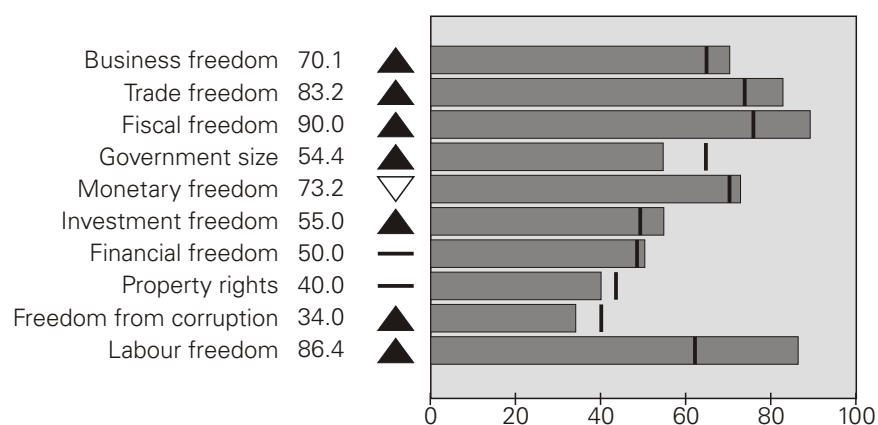
	2001	2011	2021	2031
0–14	126 911	120 817	116 976	106 288
15–64	412 856	429 983	426 148	414 113
65 and over	76 529	85 072	100 720	117 360
<b>Total</b>	<b>616 296</b>	<b>635 872</b>	<b>643 844</b>	<b>637 761</b>
<b>as % of total</b>				
0–14	20.6	19.0	18.2	16.7
15–64	67.0	67.6	66.2	64.9
65 and over	12.4	13.4	15.6	18.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Bacovic, M., Demografske promjene i ekonomski razvoj – Analiza investicija u humani kapital, 2006.

**TABLE 1.3 GROSS DOMESTIC PRODUCT, 2001–08**

	2001	2002	2003	2004	2005	2006	2007	2008
<b>GDP at current prices (million €)</b>	1 295.1	1 360.1	1 510.1	1 669.8	1 815.0	2 148.9	2 807.9	3 085.6
<b>GDP per capita (€)</b>	2 113	2 208	2 435	2 684	2 912	3 443	4 484	4 908
<b>GDP growth rate at constant prices (%)</b>	1.1	1.9	2.5	4.4	4.2	8.6	10.7	6.9

Source: Monstat ([www.monstat.org/EngMeniGodisnjiPodaci.htm](http://www.monstat.org/EngMeniGodisnjiPodaci.htm)).

**FIGURE 1.2 ECONOMIC FREEDOM INDEX, 2010**

0 = Lack of freedom; 100 = Highest freedom; I = World average.

Source: The Heritage Foundation and Wall Street Journal 2010 Survey on Economic Freedom.

**TABLE 1.4 GDP BY ECONOMIC SECTOR, 2000–08**

% value added	2000	2004	2005	2006	2007	2008
<b>Agriculture</b>	12.5	10.9	10.5	10.2	9.3	8.9
<b>Industry</b>	23.4	22.3	20.7	20.4	17.7	17.9
<b>Services, etc.</b>	64.1	66.8	68.8	69.4	73.1	73.2

Source: World Bank, World Development Indicators.

TABLE 1.5 MACROECONOMIC INDICATORS FOR IPA COUNTRIES AND EU BENCHMARKS

	EU-27	Albania	Montenegro	Serbia	Croatia	Macedonia (fYR)	Turkey
	2008	2007	2007	2007	2008	2008	2008
<b>Nominal GDP per capita (thousand €)<sup>a</sup></b>	25.1	2.5 (p)	4.5 (p)	4.0	10.7	2.8 (2007)	7.1
<b>Real GDP growth rate<sup>b</sup></b>	0.8	6.0 (p)	10.7 (p)	6.9	2.4	4.9 (f)	0.9
<b>as % of GDP</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
<b>Share of agriculture</b>	1.8	21.0	8.9	13.0	6.8	11.3	8.7
<b>Share of industry</b>	26.6	19.7	17.9	28.4	30.2	28.4	27.8
<b>Share of services</b>	71.6	59.3	73.2	58.6	63.0	60.3	63.5

(f) = Forecast; (p) Provisional data.

Sources: (a) Eurostat online database; (b) Eurostat Structural Indicators for EU-27, Croatia and Turkey; and World Bank, World Development Indicators for Albania, Montenegro, Serbia and the former Yugoslav Republic of Macedonia.

## 2. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EDUCATION AND TRAINING IN A LIFELONG LEARNING PERSPECTIVE

### 2.1 INVESTMENTS IN HUMAN CAPITAL

#### **Decline in public funds for education and training, increase in private spending**

Public financing of the education system is carried out entirely from the central level, with no contribution from local self-governments. The Ministry of Education and Science covers all salaries, operational costs, expenditure for heating, and investment in infrastructure. According to Ministry of Finance data, in 2008 the proportion of GDP spent on education was 4.4%. When compared with an average of 6.1% in OECD countries or to 5.2% in the EU, Montenegro's level of public investment in education appears to be good, yet care should be taken before such a conclusion is drawn, since the GDP figure does not reflect the size of the informal sector and is therefore an overestimate; in reality, expenditure on education is probably below 4% of GDP.

The Constitution of Montenegro guarantees the right to education for all children. Primary education and public secondary education are provided free of charge. However, some expenses for schooling must be paid by parents, including textbooks, supplies, school outings, meals and private tutoring. According to the 2008 Household Budget Survey, 2.2% of household income was spent on education (Monstat, 2009b).

#### **Input-based funding of schools not addressing the need for a better quality of education**

The World Bank (2005a) points out that the proportion of total education expenditure allocated to salaries is high, while very little money goes on quality-enhancing inputs such as teacher training, equipment or educational materials. Overall, 76.0% of the total education budget is spent on salaries. The situation in general education is the worst, with 94.6% of total recurrent expenditure spent on salaries, while only 5.4% is spent on non-staff items<sup>4</sup>. Some 53.8% of the Ministry of Education and Science budget in 2008 was spent on primary education and 25.2% on secondary education, including VET (**TABLE 2.1**).

In Montenegro there are 162 public regular primary<sup>5</sup> schools (with 281 satellite units), 11 special primary schools, 12 primary music and ballet schools, and 49 regular secondary schools (10 public and two private gymnasiums, 26 public secondary vocational schools, 11 public secondary combined schools (parallel gymnasium and vocational school)), and three secondary special schools (Monstat, 2009b). The infrastructure in schools varies greatly from urban to rural areas, and from region to region. Small rural schools are in the worst condition (many of these are in the Albanian minority areas), while some schools in the capital city operate in double and triple shifts with class sizes of up to 35–40 pupils per class. The school network is being optimised, and this is scheduled to be completed by 2014.

Learning materials and equipment in schools throughout the country need to be improved. In 2009 the student–computer ratio was 16:1; all secondary schools have access to the internet, while 9.45% of students in primary education are not connected. Workshops in most vocational schools have obsolete equipment; those with renovated and modern premises have been funded by donors (EU and bilateral).

#### **Tuition fees in public higher education introduced**

Montenegro invests approximately 1.1% of GDP in higher education<sup>6</sup> (Vukasovic et al., 2009). The University of Montenegro, the only public higher education institution in the country, is financed entirely from public funds; the national budget does not support private higher education institutions. The allocation of funds is input-based, and the university receives a lump sum from the national budget.

Since 2003 the University of Montenegro has charged tuition fees for students who do not obtain 'budget places' (for free education). The proportion of students paying tuition fees has increased from 43.0% in 2005/06 to 77.6% in 2008/09 (**TABLE 2.2**). Estimates suggest that 28.0% of the revenues of the university are generated through tuition fees, 63.4% are from the budget, and the rest are from service contracts and research projects (Miranovic, 2009).

<sup>4</sup> The OECD average for the proportion of non-staff costs in total recurrent expenditure is 19.7%.

<sup>5</sup> See explanatory note below Table 2.3 in Chapter 2.

<sup>6</sup> 1.15% of GDP in the EU-27 in 2005 (Eurostat, 2009a).

### Existing student support schemes not adequately targeting equity and accessibility issues

The support schemes available for students in Montenegro are largely indirect. All students are entitled to free health insurance and to subsidised food and local transport. Subsidised accommodation is available to students living outside the city in which the secondary or higher education institution is located. With regard to direct support for higher education students, the grant system is dependent on performance and is limited to a small number of students. A fund for needs-based student grants has recently been set up but in 2008 only 300 higher education students (out of a total of 16 567) were able to benefit from it (Stankovic et al., 2008). Montenegro has established a system of preferential, non-commercial higher education student loans, awarding around 4 500 loans per year. The accessibility of loans is still limited, and covers only 20% of the student cohort. Students who perform well in their studies are only required to repay a proportion of their loan: the higher their grades, the less they need to pay (Vukasovic et al., 2009).

### Insufficient funding for adult learning and enterprise-based training

In 2008 the Ministry of Education and Science allocated 0.14% of its budget to adult education (Table 2.1). The financing of ALMMs administered by the public employment services and including employment, counselling and training amounts to approximately 1.2% of GDP (ISSP, 2006). The private sector in Montenegro invests very little in the continuing training of employees (in 2009, funding for training amounted to only 0.57% of gross income (EAM, 2009a)), the main reasons being that there is no tradition of such training and that there is a lack of financial resources as a result of the small and micro size of the businesses.

## 2.2 LIFELONG LEARNING STRATEGIES, BROADENING THE EDUCATION AND TRAINING SUPPLY AND RECOGNISING QUALIFICATIONS

### New legislation and institutional setting

Over the past two decades the Montenegrin education policy reforms have targeted the formal public education system with the aim of bringing its basic philosophy, legal framework, institutional setting, learning content and outcomes in line with the evolving democratic values and market orientations of society. The reforms have been inspired by European and broader international practice.

In 2001 Montenegro embarked on an overall reform of the education system based on its blueprint document 'The Book of Changes'. A series of education laws were subsequently promulgated – for general, pre-school, primary, secondary, vocational, higher, adult, and special needs education, and for national vocational qualifications (the full list is provided in the bibliography). The structure of the education system in Montenegro has changed as described in **TABLE 2.3**. New institutional structures (executive agencies) – the Bureau for Education Services<sup>7</sup>, the Centre for Vocational Education<sup>8</sup> and the Examination Centre<sup>9</sup> – have been set up to enact the new legislation, supported by new specialist advisory bodies or councils (for more details see **TABLE 2.4**). The first strategic plan (2003–04) for the implementation of the reforms extended compulsory primary education from eight to nine years (with children beginning school at the age of six), optimised the school network, enhanced the infrastructure, and developed new curricula and textbooks. Building on these reforms, a second plan (2005–09) addressed more specific EU policy lines: the Bologna process for reforms in higher education and the Copenhagen process for the modernisation of VET, including perspectives for an NQF.

### Low educational attainment levels

According to data from the 2003 census, only 2.35% of the population in Montenegro is illiterate (Monstat, 2009b). However, the educational attainment levels of the population are low, as illustrated by the 2009 Labour Force Survey (**TABLE 2.5**): 29.6% of Montenegrins aged over 15 years have only primary education or lower, and only 13.3% have higher education. Secondary education represents the highest educational attainment for over half of the population aged over 15 (57.1%). In the EU-27, 71.5% of the population aged 24–65 has completed at least upper secondary education (Eurostat, 2009a). This educational profile is not conducive to the development of a knowledge-based society in Montenegro and provides sound evidence for the need for lifelong learning policies.

### Lifelong learning principles remain more at the level of rhetoric than of practice

The Montenegrin authorities have only recently embraced lifelong learning concepts as a framework for education reforms. So far they have focused more on designing and implementing changes in the legislation and the layout of each of the different education subsystems, and still treat them as autonomous elements rather than as interlinked parts of one system.

One recent development that enhances the links and transitions between formal, non-formal and informal learning subsystems is the focus on learning outcomes as a reference for recognising skills and competences. In accordance with the Law on National Vocational

<sup>7</sup> The Bureau for Education Services provides research, advisory and development functions, quality assurance and teacher development.

<sup>8</sup> The Centre for Vocational Education is responsible for the overall management of VET, including standard-setting, curriculum development and the training of teachers and trainers.

<sup>9</sup> The Examination Centre is responsible for assessment at all levels of education (excluding higher education).

Qualifications (2008), vocational qualifications may be obtained by direct assessment of previously acquired skills at the Examination Centre. No data are available on the number of individuals who have so far benefited from this opportunity. Another development that fosters the role of learning outcomes and the transparency and comparability of qualifications obtained is the introduction (in 2011/12) of the credit system valuation of VET curricula.

### **Qualification framework strategy to bridge formal, non-formal and informal learning**

In October 2008 the Government of Montenegro adopted a strategy for the introduction of the Montenegrin Qualification Framework 2008–10, which specifies measures to be implemented in the short term:

- definition and description of levels;
- introduction of the credit transfer system;
- introduction of Europass documents;
- establishment of the Ploteus portal;
- development of common principles for quality assurance, validation of non-formal and informal learning, vocational guidance and counselling, and improvement of key competences.

The National Qualification Framework Component of the IPA 2007 Project, which started in September 2009, will support most of the activities that are planned in the strategy.

So far eight qualification levels have been accepted for the NQF of Montenegro that are fully in line with the European Qualifications Framework. The levels cover all types of qualification – general, vocational and higher. The first four levels include qualifications acquired in initial vocational/general education and training institutions (awarded after completion of elementary school and during secondary school education). The fifth level is the intermediary level between vocational qualifications and higher education qualifications (upper secondary education). The levels from six to eight cover the qualifications acquired in higher education institutions.

### **Adult learning focuses on functional literacy and low-skill training**

Adult learning has largely been neglected in Montenegro during the transition period. The reforms launched in 2001 recognised adult learning as an integral part of the education system, and efforts have been made to re-establish it in the new economic and social environment. **TABLE 2.6**, which contains a brief summary of existing adult learning programmes in Montenegro, shows that such programmes mainly target unemployed and illiterate individuals, while much less is done to enhance the skills of employees. A World Bank–IFC study (2009) indicated that only 25.2% of manufacturing companies have offered formal training to their employees. A recent survey on training needs in the most dynamic service sector – tourism – revealed that 20–25%

of employees underwent training in 2009 (EAM, 2009b), while another survey revealed that only 1.84% of employees as a whole participated in some training and upgrading of skills in 2009; this latter figure is four times lower than the figure for 2008 (8.46%) (EAM, 2009a), which can be probably explained by the negative impact of the economic crisis.

Although efforts have been made to establish the new priorities and role in society for adult learning in Montenegro, stronger support is needed from the social partners, as are adequate incentives for both providers and learners. Although the need for adult education is great, the demand for it is low, since businesses are oriented towards quick returns from their investments; individual career progression is not merit-based and skills enhancement does not necessarily result in promotions or higher salaries for employees. Public funding is scarce, yet private spending is not encouraged (for example by tax concessions). The training market is small (37 providers) and is dominated by public providers within the Ministry of Education and Science and the Employment Agency of Montenegro (EAM), and by civil society providers (namely local and international NGOs), while private providers such as companies and private training centres are still emerging.

## **2.3 ISSUES AND STRATEGIES RELATING TO EARLY SCHOOL LEAVERS**

### **High primary and low secondary school enrolment rates**

Enrolment in primary education has increased in recent years: as shown in **TABLE 2.8**, the gross enrolment rate rose from 90.5% in 2004/05 to 98.9% in 2008/09. Enrolment in pre-school education, however, is low (25.8% in 2008/09); this is a particular issue among RAE children and those from poorer family backgrounds, and contributes to higher dropout rates at later stages of education. The issue of early school leaving emerges during the transition from primary to secondary education, as evidenced by the lower enrolment rates for secondary education (84.9% in 2008). Nevertheless, the trend in secondary education coverage in recent years has in fact been positive, since the enrolment in 2004/05 was 80.8% (Table 2.8). Absolute figures for the students enrolled in schools are given in **TABLE 2.7**.

There are currently no solid statistical data on early school leavers<sup>10</sup>. Estimates indicate that the early school leaving rate in Montenegro stands at 15.5% for males and 9.2% for females (UNDP, 2009b). These rates are better than those for EU-27 countries, where 17.2% of males and 13.2% of females in 2007 had neither completed secondary education nor recently participated in education or training; however, the EU benchmark, reconfirmed by EU 2020, is 10% (**TABLE 2.11**). The dropout rate varies significantly with respect to those from ethnic or other

<sup>10</sup> This is defined as the proportion of the population aged 18–24 with at most a lower secondary level of education, who is no longer in further education or training.



vulnerable groups: some data indicate that almost half of the Albanian-speaking minority in Montenegro do not continue from primary to secondary school (ILO, 2007). The issue of early school leaving in Montenegro needs to be carefully monitored on the basis of empirical evidence and thoughtful policy measures, since it has an impact on both the economic development and the social cohesion of the country.

## 2.4 ISSUES AND STRATEGIES RELATING TO ACCESS TO AND QUALITY OF SECONDARY VOCATIONAL EDUCATION AND TRAINING

### Accessible secondary vocational education with limitations for vulnerable groups

Approximately 68% of Montenegrin students enrolling in secondary education choose the VET and occupational streams, while the remaining 32% choose general education (Monstat, 2009b). In vocational schools (all of them public) there are around 21 000 students and 2 000 teachers (MoES, 2009). The secondary vocational education infrastructure comprises 26 vocational and 11 mixed schools. The existing vocational school network is sufficient for all interested students to be admitted after they have completed primary school. Vocational education is available across the country, though access in urban areas is better than in rural areas, and remains problematic for RAE students and those with disabilities. Secondary vocational education is provided in Montenegrin or in Albanian (in three mixed secondary schools, in the municipalities of Plav and Ulcinj and city district of Tuzi).

VET in Montenegro covers programmes at different levels:

1. lower VET (two years, post-primary education);
2. secondary VET (three or four years);
3. post-secondary VET<sup>11</sup> (two years, as a continuation of secondary VET).

Three-year courses, which, unlike the four-year courses, do not provide access to tertiary education, are declining, with an enrolment rate of 30% of all vocational students (Monstat, 2009b). Every school year students are offered approximately 82 education profiles – two two-year, 35 three-year and around 45 four-year programmes (MoES, 2009). The demand for these and the choices of students do not always follow labour market needs but are determined instead by the lack of opportunity for further progression to higher education and by cultural factors (for example, the tradition of undervaluing craft occupations).

### Revised curricula and occupational standards

Occupational profiles and curricula in Montenegro for secondary VET have been broadened and updated in

order to respond to the ongoing processes of economic restructuring. Vocational schools currently deliver education in 14 occupational sectors. The new curricula have established new ratios between general and vocational subjects and offer elective subjects, but continue to be more time-based than outcome-based.

The official adoption of curricula is under the competence of the Council for Vocational Education and the Council for Adult Education. Following the piloting of the new curricula during the period 2004–08, with effect from 2009/10, all first-grade vocational students are being educated according to the reformed curricula for two-, three- and four-year education. The modularisation of curricula is supposed to be completed by the beginning of 2011/12. While the changes introduced in recent years in VET curricula have been positive, concerns remain regarding their successful implementation, since the prevalent vocational school infrastructure has still not been updated, links with enterprises are weak, and teaching and learning methods need to be modernised.

### VET system still not relevant to labour market needs

Despite the reforms, the Montenegrin VET system continues to face serious problems in responding to labour market needs. The 2009 LFS data (Monstat, 2010b) suggests that VET programme 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 about the adequacy of the outcomes produced by the Montenegrin VET system in relation to the skill needs of the economy. A legitimate explanation of the worrying data could be that new VET curricula were introduced on a country-wide basis in 2009/10, and the results will only become apparent after three or four years. Another factor that must be taken into consideration is that most four-year VET graduates progress directly to higher education (without entering the labour market); hence, the above data offer a 'reality check' on the two- and three-year VET programmes (which attract approximately a third of all vocational students), but not on the VET system as a whole.

Employers have identified two major gaps in relation to labour market needs that are not being met by the education and training system, namely key competences and very practical, lower-level skills (for example, those required for jobs such as forester, wood-cutter, driver, butcher, baker, car mechanic, electric fitter carpenter, bricklayer, insulator, stone cutter and waiter) (EAM, 2009a). Montenegro is known for its long-standing tradition of undervaluing craft skills, and demand for these remains low among young people and their parents. Thus, most VET student places currently offered are in trade, tourism and economics, followed by public health and electrical engineering. Those that are in least demand from students are occupations in the textile and leather industry, forestry and wood processing, and geology, mining and metallurgy (Monstat, 2009b).

<sup>11</sup> Legislation allows for the establishment of post-secondary vocational institutions, though as yet there are none operational in Montenegro.



While the lack of interest on the part of students towards some profiles is one of the reasons for the mismatch between the demand and supply of skills on the domestic labour market, it is also true that VET policy is not sufficiently guided by solid evidence, as a result of a lack of comprehensive skill needs analyses and forecasts. The interface between the world of work and the world of education currently comprises ad hoc studies in some priority sectors (e.g. EAM, 2009b) or, since 2003, annual surveys of employers' opinions and short-term prognoses (e.g. EAM, 2009a). A wider, long-term, reliable picture of competences in relation to the economic development forecasts for the country is still absent.

### Disappointing quality of vocational education

The existing skills shortages and mismatches in the labour market discussed above provide evidence that the Montenegrin VET system has so far not been able to produce high-quality outcomes. In addition to the reasons already mentioned, it should be noted that quality in VET is dependent on the quality of primary education, which is not at a satisfactory level, as demonstrated by the PISA 2006 assessment that ranked Montenegro's mean performance on the science, reading and mathematics scales below the OECD average (TABLE 2.9).

Montenegro has been making efforts to improve the quality assurance mechanisms at the level of VET providers. As regards adult education and training, legislation provides for a set of requirements an applicant (natural or legal person) must meet in order to obtain a work licence from the Ministry of Education and Science (there are currently 31 licensed providers), and training programmes must be accredited by the Council for Adult Education. In the area of formal vocational education, the lead role is taken by joint teams of the Centre for Vocational Education and the Bureau for Educational Services, which regularly evaluate the quality of education in vocational schools on the basis of the self-assessment of the respective school. Each school has a Quality Group that is responsible for conducting the self-evaluation and for drafting an action plan, which becomes an integral part of the school annual work plan.

The processes of evaluation and self-evaluation of quality both focus on the following fields:

- acquisition of knowledge and skills against educational standards;
- quality of the curriculum and extra-curricular activities in school;
- quality of teaching;
- ethos of the community;
- management of human resources;
- infrastructure;
- safety at work;
- support provided to students;
- cooperation of the school with parents, institutions and the local community.

In 2011 a significant improvement is expected to be achieved in quality assurance mechanisms at the qualification-awarding stage when, after a pilot period during which the resistance of students and their parents was gradually overcome, Matura exams for all three- and four-year VET graduates in Montenegro will be conducted for the first time. The introduction of final exams at national level will provide valuable information on the quality of the learning process and outcomes of the VET system that can be fed into the VET policy cycle, and to improve the accessibility of higher education and reduce corruption in education. Some 54% of the primary school students and 59% of the secondary school students surveyed believe that corruption exists in education in Montenegro and that it takes place most often in the process of assessing students (CEPRIM, 2008), while almost half of the respondents (44%) in another survey believed that it was possible to 'buy' a diploma in certain schools or universities (Centre for Civic Education, 2010).

### Underdeveloped practical training

The predominant method of delivering practical skills within VET is in school workshops, most of which have outdated equipment. There are insufficient public funds to modernise school workshops, so it is mainly donors (the EU, KulturKontakt Austria, GTZ, Lux Development) who invest in and promote school-based practical training. Practical training in real work environments and through 'learning by doing' is still emerging. Placements and internships in enterprises are an exception. There is good cooperation between schools and employers, enabling practical training to take place, in sectors such as tourism, healthcare and transportation, but this is carried out on an ad hoc rather than a systematic basis. Montenegrin legislation also offers another possibility, the so-called dual form of education in which employers and schools conduct practical training together. The dual form was piloted in 2004/05, but as a result of a lack of interest on the part of students and employers, enrolment was stopped with effect from 2006/07.

### Entrepreneurial skills promoted

Entrepreneurship education has been given special consideration by the Montenegrin authorities. A Strategy for Lifelong Entrepreneurship Learning 2008–13 and an action plan have been adopted. Entrepreneurship is taught in secondary vocational schools as either a regular or an elective subject. Various projects, funded by donors, also foster an entrepreneurial mindset among secondary vocational students. These developments served as a basis for the conclusion drawn by the 2009 assessment of the implementation of the Charter for Small Enterprises in the Western Balkan region, indicating that Montenegro leads on the policy framework of entrepreneurship education (OECD et al., 2009).

## 2.5 ISSUES AND STRATEGIES RELATING TO ACCESS TO AND QUALITY OF HIGHER EDUCATION

### Implementation of new legislation and Bologna requirements

Montenegro has one public university (the University of Montenegro, with 23 faculties and units located on various sites, in and around Podgorica), one private university (Mediterranean University) and nine autonomous private faculties (Monstat, 2009b). Public higher education dominates, with the University of Montenegro attracting 80.8% of students in 2008/09 (TABLE 2.10). Some 58% of students enrolled in economics, law and social science studies, 40% in engineering, medicine and natural science studies, and 2% in the arts (Monstat, 2009b). Higher education reform started in 2003 with the signing of the Bologna Declaration and the Law on Higher Education. The structure of higher education since 2004 has followed the Bologna principles: three cycles of university education, the European Credit Transfer and Accumulation System (ECTS), and, since 2006/07, the Diploma Supplement.

Serious reform efforts have been invested in the higher education system in Montenegro, yet many challenges remain. Educational primacy rests with the state university, with private institutions generally perceived to be an inferior subsystem with less recognisable diplomas, attracting less-qualified students, and being more concerned with finance than quality. The state university, with its traditions, relatively strong reputation, and elite philosophy of education, is often characterised as being overly centralised and unresponsive to rapidly changing market needs. Competition for academic staff between the state and private universities tends to discourage cooperation. Only a small number of students are engaged in doctoral-level studies (87 in 2008/09, Monstat, 2009b). International exchanges and linkages are limited, and need to be expanded.

### Increasing enrolment and graduation rates, unsatisfactory labour market outcomes

Enrolment in higher education has been increasing in recent years. While there were 12 903 students in higher education institutions in 2005/06, the number in 2008/09 was 20 490, an increase of almost 63% within a four-year period (Table 2.2). The number of graduates also increased. In 2007, 2 389 students (14.8% of the student cohort) graduated from tertiary education, while in 2008 the figure was 2 812, (15.6% of the 2007/08 student cohort)<sup>12</sup>. These developments are welcome, since the 2003 census showed that only 7.51% of Montenegrins aged 15 and over had completed higher education (Monstat, 2009b).

Although there is a positive trend in terms of increasing enrolment rates in higher education, it should also be noted that the labour market relevance of university studies needs to be improved. There is a pronounced shortage of graduates for certain occupations (construction engineers, medical doctors, banking and financial experts, English language teachers), coupled with a surplus of others (economists and lawyers with a general profile) (EAM, 2009a). Yet students in economics/business and law comprised 27.3% and 14.1%, respectively, of all students in Montenegro in 2008, while those following programmes in medicine/dentistry and construction engineering accounted for only 1.9% and 1.7% of the total (ETF calculations based on Monstat (2009b) data). Furthermore, higher education subjects are still defined in a broad and general way, while the Montenegrin economy needs narrower profiles, for example tourism and catering business manager instead of (general) manager (EAM, 2009a). Obviously, higher education enrolment policy in Montenegro needs more careful consideration and regulation, especially in view of the predominant perception of university studies as being learning for diplomas, rather than learning for the labour market. A move from supply towards more labour-market-driven policies will substantially enhance the external efficiency of the higher education system.

### Broader geographical coverage, but socio-economic limitations to the accessibility of higher education remain

Montenegro has ensured that there is access to tertiary education in all regions of the country. Study programmes are currently delivered in Podgorica, Niksic, Bijelo Polje, Berane, Budva, Kotor, Pljevlja, Bar and Igalo.

Approximately two-thirds of students in public and all students in private higher education pay tuition fees (Miranovic, 2009). The average fee for undergraduate studies in public higher education is around €500 per academic year, for Master's studies €1 500–2 000, and for doctoral studies €1 500–4 000. Tuition fees for private higher education institutions are usually three times higher than at the public University of Montenegro. The level of tuition fees combined with data on the average monthly salary in Montenegro (€416 in 2008) suggests that there are serious socioeconomic barriers to the accessibility of university education in Montenegro. Students from better socioeconomic backgrounds are overrepresented in higher education (Vukasovic et al., 2009).

### Low student and teaching staff mobility

Montenegrin students are entitled to spend one term or academic year at another higher education institution within the country or abroad, making use of international exchange programmes (Erasmus-Mundus, Erasmus-Mundus/External Cooperation Window, DAAD, CEEPUS) or on the basis of bilateral agreements between universities, with subsequent credit recognition.

Outward student and staff mobility has so far been at a very low level, the main discouraging factor being the difficulty of obtaining a visa. At the same time many young people have chosen to enter higher education in Serbia, an exodus that has the potential to create a 'brain drain' problem.

### **Quality assurance mechanisms and the quality of higher education need improvement**

Although defined as the highest priority in the Montenegrin higher education reform agenda, quality remains an issue. In addition to the problems already identified in terms of responsiveness to labour market needs, and enrolment and curricula development policy, higher education institutions in Montenegro still face internal quality problems. These relate to the quality of delivery of the curricula (transition from teaching to student-centred learning) and the quality of learning resources and support services (including outdated library stocks, obsolete laboratories, insufficient ICT infrastructure and internet access, and limited availability of distance learning).

Quality assurance is a responsibility of the Council for Higher Education. In 2007 the Council adopted national procedures for internal and external evaluation of higher education institutions in line with the Standards and Guidelines for Quality Assurance in the European Higher Education Area. The main achievement in recent times has been the establishment of a quality assurance centre at the University of Montenegro. External evaluations are carried out by expert teams nominated by the Council for Higher Education. External quality assurance evaluations in accordance with the 2007 guidelines have been performed at the two universities and at one faculty (Stankovic et al., 2008).

## **2.6 ISSUES AND STRATEGIES RELATING TO LEARNING IN SCHOOLS AND TEACHERS**

### **Teaching and learning at school still in the grip of the past**

Teaching has not yet been reformed to respond to the challenges of Montenegro's changing society and its aspirations for EU membership. It still follows the traditional model of upfront pedagogy, with the teacher as a transmitter of knowledge who functions within the limited modality of lecturing–examination–evaluation tasks. The teaching and learning process is still very much focused on the acquisition of factual knowledge, discouraging student inquiry and initiative. Teaching targets well-performing students, but much less attention is given to those with learning problems and those who are at risk of early school leaving. Extracurricular activities, learner-centred approaches, and new methods of teaching and learning (such as project-based teaching/learning and collaborative learning) are still

isolated islands of good practice within the overall education system.

Furthermore, teaching and learning in VET are faced with additional problems. Vocational subject teachers lack the pre-service psychological and pedagogical training required to prepare them for teaching in schools. In addition, school-based VET teaching and learning is mostly theoretical, with weak links with enterprises and employers.

### **Pre-service teacher training lags behind the needs of the education system**

Specialised university programmes for the education of teachers are delivered at the University of Montenegro – in the Faculty of Philosophy, the Faculty of Natural Sciences and Mathematics, the Academy of Art and the Music Academy<sup>13</sup> – but potentially every graduate of a Montenegrin higher education institution can become a teacher. If a graduate has studied in a faculty where no courses in pedagogy, psychology, special needs education or andragogy are delivered, which is the case for most VET subject teachers, the would-be teacher must undergo a specific mentoring programme during the first year of employment in a school and after that must pass a professional exam. Pre-service teacher training is mainly focused on the technical subject matter (90% of the academic hours), while around 10% of its content and duration focuses on psychology and pedagogy courses, largely in a theoretical context. Cooperation between the faculties for teacher training, the Ministry of Education and Science and the schools is weak, and this prevents student teachers from gaining satisfactory teaching practice and hands-on experience prior to their employment as teachers.

### **Restoration of a systemic approach towards in-service teacher training and professional development**

In-service teacher training in Montenegro has until recently been a donor-driven activity, and there have been difficulties in sustaining innovation and good practice introduced once projects have been completed. The Bureau for Educational Services and the Centre for Vocational Education organise training for teachers from vocational schools on topics such as new pedagogical methods, student-oriented teaching models, and revising the teacher's role, but investments in teacher training and teaching infrastructure are low. The Centre also cooperates with international donors (GTZ, KulturKontakt Austria, Lux Development) that offer in-service teacher training.

With World Bank support a system for continued professional development of teachers has been set up in Montenegro, based on:

1. school-based continuing training for teachers;
2. a system for the evaluation of teachers' performance on a bi-annual basis;

<sup>13</sup> These programmes prepare class teachers for pre-school and basic education, as well as general subject teachers for secondary education.

3. a career advancement path through promoted posts (teacher mentor, teacher adviser, teacher senior adviser and teacher researcher in teaching process);
4. a catalogue of accredited professional courses on offer;
5. standardised teacher titles;
6. training of teacher trainers;
7. mentorship (for those new to teaching).

## 2.7 VOCATIONAL COUNSELLING AND GUIDANCE

### **Lack of specialised vocational counselling and guidance services in formal education**

The existing VET counselling and guidance services are inadequate for the needs of the Montenegrin education and employment system, especially from a lifelong learning perspective. Most counselling and guidance services are offered by the Employment Office, which has established centres for information and vocational guidance in Podgorica and Bar, which are intended to operate at national level. In the education system these services are provided by school pedagogues or psychologists who perform other duties as well. Students are able to contact centres for information and vocational guidance directly to obtain detailed information, for example on labour market and learning opportunities, testing, and individual guidance. Education fairs, which bring together pupils, students, companies and educational institutions, are an appealing way of informing students and their parents about educational progression paths and jobs. However, these events are insufficient to meet the needs of students in full.

## 2.8 CAPACITIES OF MINISTRIES AND THEIR AGENCIES, SOCIAL PARTNERS AND CIVIL SOCIETY ORGANISATIONS

### **Underdeveloped capacities for policy implementation**

In the post-independence period, Montenegro invested a great deal of effort and resources in developing the

institutions of the education sector. The main priority has been to establish decentralised management and to move away from the previous hierarchical, top-down mode of issuing decrees and legislation. Formulating policies and strategies, consulting on them with many and various stakeholders, and ensuring transparency and accountability in the process of steering the education system are tools that are being used more and more widely. Decentralised governance of education in Montenegro has been made possible by the setting up of the independent executive agencies previously mentioned: the Bureau for Education Services, the Centre for Vocational Education and the Examination Centre. In addition, advisory bodies have been established to enhance the efficiency and quality of the policy-making cycle: a Council for General Education, a Council for VET and a Council for Adult Education (the last two organised on a tripartite principle), as well as a Council for Higher Education and a Council for Scientific and Research Activities. More detailed information on the institutional arrangement of the Montenegrin formal education system is provided in Table 2.4.

Structured dialogue with social partners and consultation with civil society organisations on education policy issues has been successfully launched. The Chamber of Commerce, the Montenegrin Employers' Federation (UPCG) and the Confederation of Trade Unions are represented in the consultative and governing bodies in the VET field. The civil society sector has been an important partner for the government when special policy interventions have been designed in relation to social inclusion, minorities, and corruption in education. The involvement of social partners has mainly been in the education planning phase and through participation in advisory and expert structures (sector-specific commissions, working groups for occupational standard development, Council for Vocational Education and Council for Adult Education), but to a much lesser extent in the decision-making process and financing of vocational education. It should be noted that the capacities of non-governmental partners for stronger involvement are limited and need to be further strengthened.

The Ministry of Education and Science and its supporting institutions have up to now been mainly preoccupied with the establishment of new policies, structures and procedures. The time has come to shift the centre of attention from policy design to policy implementation, and to reflect on facilitating conditions, mechanisms and tools for turning strategies into a reality. This will require concerted effort and an enhancement of the capacities of all actors involved.

## TABLES

**TABLE 2.1 MINISTRY OF EDUCATION AND SCIENCE BUDGET, 2008**

Budget line	Amount (€)	% of total budget
Pre-school education	11 235 760	9.2
Primary education	65 698 743	53.9
Secondary education	30 539 980	25.1
Adult education	174 496	0.1
Special education	2 873 242	2.4
Centre for Vocational Education	330 000	0.3
Students' standard	8 155 041	6.7
Science	1 797 312	1.5
Administration	753 093	0.6
Improvements to the education system	295 000	0.2
<b>Total</b>	<b>121 852 667</b>	<b>100.0</b>

Source: Law on Budget 2008.

**TABLE 2.2 NUMBER OF HIGHER EDUCATION STUDENTS BY SOURCE OF FINANCING, 2005–09**

Academic year	Total number of students	Students financed by the state budget	%	Self-financed students	%
<b>2005/06</b>	12 903	6 062	47.0	6 841	53.0
<b>2006/07</b>	16 173	6 278	38.8	9 895	61.2
<b>2007/08</b>	18 009	4 891	27.2	13 118	72.8
<b>2008/09</b>	20 490	4 599	22.4	15 891	77.6

Source: Monstat, Montenegro 2009 Statistical Yearbook.

TABLE 2.3 EDUCATION SYSTEM

ISCED level		National classification
0	Pre-primary education	Starts at the age of three and lasts for three years. In 2008/09 there were 90 public institutions for pre-primary education or kindergartens, with 12 084 children enrolled.
1 and 2	Primary education*	Compulsory and free of charge, and currently delivered in 162 schools (some of them with satellite units). According to the curricula that were recently adopted and implemented with effect from 2004/05, primary education lasts for nine years, with enrolment at the age of six. Pupils who started primary education prior to 2004/05 were enrolled at the age of seven and followed the old eight-year curricula. As of 2012/13, the nine-year school curricula will be implemented in all grades of all primary schools.
3	Secondary education	Starts at the age of 15. It consists of three streams: general secondary (gymnasium), secondary vocational education (lasting three or four years), and lower vocational education (lasting two years). It is currently delivered in 49 schools.
4	Post-secondary non-tertiary education	Lasts for two years and is currently being prepared for introduction.
5 and 6	Tertiary education	Provided through academic or applied study programmes. Higher education is organised as undergraduate studies (lasting from three to four years), post-graduate studies (one to two years) or doctoral studies. In 2008/09 there was one public and one private university, as well as nine autonomous faculties.

Source: Monstat, Montenegro 2009 Statistical Yearbook.

\* According to the International Standard Classification of Education (ISCED) that is used in the EU (Eurydice) and worldwide, the term 'primary education' means initial three- or four-year schooling aimed at providing literacy and numeracy (ISCED 1 level). According to the Monstat definition (Monstat, 2009b; 2009c), primary education covers the whole nine-year cycle of compulsory education, including both initial schooling and lower secondary education, i.e. it covers both ISCED 1 and 2 levels, which is the equivalent of basic education according to ISCED terminology. Similarly, Monstat uses the term 'primary schools' for schools that provide basic education (ISCED 1 and 2). Monstat definitions have been preserved and followed in this paper for the sake of consistency of terminology with the sources of data used.



**TABLE 2.4 ORGANISATION AND ADMINISTRATION OF THE EDUCATION AND TRAINING SYSTEM****Ministry of Education and Science**

The Ministry of Education and Science assumes overall responsibility for the design, implementation and review of education and training policy in the country. The ministry is supported by a number of advisory bodies and executive agencies.

**Advisory bodies**

- Council for General Education (15 members)
- Council for Vocational Education (12 members)
- Council for Adult Education (9 members)
- Council for Higher Education (11 members)
- Council for Scientific and Research Activities (9 members)

The Council for General Education, the Council for Vocational Education and the Council for Adult Education, formed in accordance with provisions of the General Law on Education, provide expertise in decision-making processes and drafting regulations for the education sector, relating to curricula; catalogues of knowledge; examination catalogues; textbook development standards; training programmes for school headmasters; standards for school facilities; teaching aids and equipment; profiles and professional qualifications of teachers; and lists of compulsory elective subjects.

The Council for Higher Education, appointed by the government for a period of six years, provides expertise in improving the quality of higher education. The Law on Scientific and Research Activities specifies the composition, responsibilities and working procedures of the Council for Scientific and Research Activities.

**Executive agencies**

- Bureau for Educational Services: ensures quality assurance, including the performance of professional tasks relating to the drafting of curricula for pre-school education, primary education, general secondary education and the general section of vocational education curriculum. Provides support to the work of the Council for General Education.
- Centre for Vocational Education: established by the Government of Montenegro, Employment Office, the Chamber of Commerce, the Confederation of Trade Unions of Montenegro and the Montenegrin Employers Federation. It is involved in development, advisory, research and expert activities in the field of vocational education and adult education.
- Examination Centre: established to provide external testing of the knowledge and skills of students.
- Textbooks and Teaching Aids Office
- Office for International Scientific, Educational, Cultural and Technical Cooperation

**School boards and headteachers**

Schools in Montenegro have their own governing or school boards. These include representatives of the professional staff of the institution, the Ministry of Education and Science, parents and the Bureau for Educational Services (for pre-primary, primary and general secondary schools), or of the social partners and the Vocational Education Centre (for vocational and combined schools). In cases where the education institution is funded by the municipality, the school board also includes a representative of the local self-government. Meetings of school boards may be attended by a representative of the students' association. Members of a school or governing board are elected for a period of four years.

A headteacher manages the institution and is responsible for the planning, organisation and implementation of its activities, selecting teachers and other staff employed at the institution, carrying out professional and pedagogical supervision, encouraging professional development and training for teachers and proposing their promotion, ensuring equality among pupils in exercising their right to education, and liaising with parents and the community. The headteacher submits an annual report to the school board.

**Higher education**

University governance is carried out through a governing board comprising no more than 15 members, who are representatives of academic and non-academic personnel, students, founders, and external stakeholders (who constitute no more than one-third of the total number of governing board members). In addition to the governing board, a university founded by the government also has an expert body, the Senate, which includes the Rector, the Vice-Rectors, and representatives of the academic staff and of students.

The Rector is the management body of a university founded by the government and is responsible for the efficient and effective operations of the university, and for the implementation of the policy laid down by the governing body. The Rector, on the basis of a proposal by the Senate, is appointed by the governing board from the ranks of full-time university professors.

The governing body of a non-university public institution is defined by the institution's statute. That body, however, is required to publish an annual work report and submit all information requested by the government. The management and expert body of a non-university public institution, its selection and appointment, powers, term of office and other matters are defined by the institution's statute.

The model of governance and management of a private higher education institution is autonomously regulated by the institution itself through its statute or other appropriate act. However, representatives of the academic staff and students must be allowed to participate in decision-making processes, if those decisions are of interest to them. Through its statute, the private higher education institution also defines the powers, number of members, composition, term of office, procedure for appointment and dismissal, and method of work and decision-making of the expert body of the private institution.

**TABLE 2.5 POPULATION AGED 15 AND OVER BY EDUCATIONAL ATTAINMENT AND AGE, 2009**

Educational attainment	Number of people (thousand)							
	Total, 15+	15–24	25–34	35–44	45–54	55–64	65–74	75+
<b>Total, all levels</b>	516.8	98.5	95.4	85.4	89.3	65.7	52.3	30.2
<b>Lower than primary education</b>	44.0	1.7	1.5	1.5	2.4	5.5	14.7	16.8
<b>Primary education</b>	108.9	37.8	9.8	11.0	13.8	14.7	14.9	6.9
<b>Vocational education after primary school</b>	58.9	6.2	13.8	12.8	11.7	8.1	4.6	1.7
<b>Secondary general education</b>	39.0	13.9	9.5	5.8	5.3	2.9	1.2	0.4
<b>Secondary vocational education</b>	197.0	34.6	42.5	40.3	41.3	24.2	11.3	2.8
<b>Tertiary education, of which:</b>	69.0	4.3	18.4	14.0	14.8	10.3	5.5	1.6
<b>First stage of tertiary</b>	19.7	0.8	4.1	(3.8)	4.1	4.1	2.0	0.6
<b>Second stage of tertiary – Bachelor's, Master's and doctoral degrees</b>	49.3	3.5	14.2	10.2	10.7	6.2	3.5	0.9

Source: LFS 2009.

**TABLE 2.6 ADULT LEARNING AND EDUCATION PROGRAMMES**

Programmes for	Provider	Learning area	Target group	Budget	Source of funding
<b>Adult elementary education</b>	School for elementary adult education within community universities	General knowledge and skills	Individuals who have not completed elementary school	Cost of salaries for teachers who implement programmes	Ministry of Education and Science
<b>Elementary functional literacy</b>	Elementary schools	Basic knowledge and basic functional skills	Illiterate individuals	Costs per trainee	Ministry of Education and Science, international donors
<b>Vocational training for simple occupations</b>	Adult education organisers	Occupational knowledge, skills and competences aligned with occupational standards	Unemployed people and those without qualifications	Costs per trainee (up to 10 minimum wages)	Employment Agency of Montenegro
<b>Requalification</b>	Training centres in vocational schools	Occupational knowledge, skills and competences aligned with occupational standards	Unemployed people and redundant workers	Payment costs per trainee (up to 15 minimum wages)	Employment Agency of Montenegro

cont.



<b>Learning foreign languages</b>	Adult education organisers	Communication in a foreign language, levels 1–8 (European Language Portfolio)	Unemployed and employed people	Payment costs per trainee	Ministries, Human Resource Management Authority, local government, employers, trainees
<b>ICT</b>	Adult education organisers	IT literacy and ICT skills by level	Unemployed and employed people	Payment costs per trainee	Ministries, Human Resource Management Authority, local governments, employers, trainees
<b>Civic democracy</b>	NGO for civic democracy	Raising awareness and knowledge in the field of civic democracy and development of social/civic skills and competences	Unemployed and employed people	Costs for programme providers	Ministries, Human Resource Management Authority, international organisations, local governments
<b>Environmental protection</b>	NGO for environmental protection	Raising awareness, knowledge and skills in the field of environmental protection	Unemployed and employed people	Costs for programme organisers/organisation of seminars	Ministries, international organisations, local governments
<b>Entrepreneurs and managers</b>	Small and Medium Enterprises Directorate	Improvement of entrepreneurial knowledge and skills	Employers	Costs for programme organisers/organisation of seminars	Small and Medium-sized Enterprises Directorate, GTZ, JICA, EAR
<b>Gender equality</b>	NGO	Raising awareness and improving knowledge on gender equality	Unemployed and employed people	Costs for programme organisers/organisation of seminars	Office for Gender Equality
<b>Health protection</b>	Institute of Public Health of Montenegro	Raising awareness and improving knowledge, skills and competences for protection of own health and health of others	Unemployed and employed people	Costs for programme organisers/organisation of seminars	Ministry of Labour and Social Welfare, international organisations
<b>Agricultural producers</b>	NGO	Raising awareness, skills and competences for improving agricultural production, production of safe food, etc.	Agricultural producers	Costs for programme organisers/organisation of seminars	Ministry of Agriculture, Forestry and Water Management, international organisations
<b>Tourism education</b>	Ministry of Tourism and Environment	Raising awareness, skills and competences for improving tourism (e.g. training of mountain guides)		Costs for programme organisers/organisation of seminars	Ministry of Tourism and Environment, international organisations
<b>European integration</b>	Secretariat for European Integration	Raising awareness, knowledge, skills and competences for successful European integration	Unemployed and employed people	Costs for programme organisers/organisation of seminars	Secretariat for European Integration, international organisations

Source: National Report on the Development and the State of the Art of Adult Learning and Education in Montenegro (2008).

**TABLE 2.7 NUMBER OF STUDENTS IN PRE-PRIMARY, PRIMARY AND SECONDARY SCHOOLS, 2006–09**

Educational level (ISCED)	2006/07			2007/08			2008/09		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>Pre-primary (ISCED 0)</b>	10 511	5 480	5 031	11 277	5 856	5 421	12 084	6 344	5 740
<b>Primary (ISCED 1)</b>	39 123	17 496	21 627	39 580	20 506	19 074	37 269	19 447	17 822
<b>Primary (ISCED 2)</b>	36 056	18 733	17 323	35 458	18 285	17 173	36 861	19 050	17 811
<b>Secondary (ISCED 3)</b>	31 627	15 965	15 662	31 557	15 892	15 665	31 274	15 930	15 344
<b>All levels</b>	117 317	57 674	59 643	117 872	60 539	57 333	117 488	60 771	56 717

Source: Monstat.

**TABLE 2.8 GROSS ENROLMENT RATES IN PRE-PRIMARY, PRIMARY AND SECONDARY SCHOOLS, 2004–09**

Educational level (ISCED)	2004/05			2005/06			2006/07			2007/08			2008/09		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>Pre-primary (ISCED 0)</b>	24.0	24.0	24.0	24.3	24.0	24.5	22.0	22.1	21.9	23.8	23.9	24.0	25.8	25.9	25.6
<b>Primary (ISCED 1)</b>	90.5	90.5	90.4	95.0	95.6	94.3	98.1	98.2	97.9	98.2	98.6	97.8	98.9	98.7	98.1
<b>Primary (ISCED 2)</b>	95.0	95.5	95.4	94.0	93.7	93.9	95.0	95.3	94.7	97.8	97.1	98.6	97.4	97.5	97.3
<b>Secondary (ISCED 3)</b>	80.8	78.6	83.2	83.0	81.1	84.9	83.1	81.8	84.5	84.4	82.9	86.0	84.9	83.9	85.9

Source: Monstat.

**TABLE 2.9 PERFORMANCE IN PISA, 2006**

Indicator	Montenegro	OECD average
<b>Mean performance on the science scale, total</b>	412	500
<b>Mean performance on the reading scale, total</b>	392	492
<b>Mean performance on the mathematics scale, total</b>	399	498

Source: OECD.

TABLE 2.10 NUMBER OF STUDENTS IN HIGHER EDUCATION INSTITUTIONS, 2008/09

Higher education institution	Number of students	% of total
<b>Total</b>	20 490	100.0
<b>University of Montenegro</b>	16 567	80.8
<b>Mediterranean University</b>	1 737	8.5
<b>Other faculties</b>	2 186	10.7

Source: Monstat, Montenegro 2009 Statistical Yearbook.

TABLE 2.11 EDUCATION INDICATORS FOR IPA COUNTRIES AND EU BENCHMARKS

%	EU-27 2008	EU 2010 objectives	EU 2020 objectives	Albania 2008	Montenegro 2008	Serbia 2008	Croatia 2008	Macedonia (fYR) 2008	Turkey 2008
<b>Early school leavers</b>	14.9	10	10.0	39.0	15.5 (m)*	10.7**	3.7 (u)	19.6	46.6
<b>Aged 18–24 with at most lower secondary education (ISCED 2) and not in further education or training<sup>a</sup></b>					9.2 (f)*				
<b>Youth educational attainment</b>	78.5	85.0		37.1**		89.0**	95.4	79.7	47.8
<b>Aged 20–24 having completed at least ISCED 3 level<sup>b</sup></b>									
<b>Yearly growth in tertiary education</b>	4.2	15.0					5.1	3.4	6.7
<b>Graduates in maths, science and technology 2000–07<sup>c</sup></b>									
<b>Pupils with low reading literacy – level 1 or below (PISA) 2006<sup>c</sup></b>	24.1	17.0	15.0		56.3		21.5	60.0***	32.2
<b>Lifelong learning</b>	9.5	12.6	15.0	2.0		3.0	2.2	2.5	1.8
<b>Aged 25–64 participating in education and training<sup>d</sup></b>									

(m) = Males; (f) = Females; (u) = Unreliable data; (\*) 2009; (\*\*) 2007; (\*\*\*) 2000.

Sources: (a) Eurostat Structural Indicators; for Serbia: Eurostat, Pocketbook on Candidate and Potential Candidate countries; for Albania: LFS; for Montenegro: UNDP, National Human Development Report, 2009; (b) Eurostat Structural Indicators; for Albania: LFS; for Serbia: Eurostat, Pocketbook on Candidate and Potential Candidate countries; (c) European Commission, 'Progress towards the Lisbon objectives in education and training: Indicators and benchmarks', 2009; for Albania: LFS; (d) European Commission, 'Progress towards the Lisbon objectives in education and training: Indicators and benchmarks', 2009; for Serbia: Eurostat, Sustainable Development Indicators.



# 3. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EMPLOYMENT

## 3.1 STRUCTURE OF THE LABOUR MARKET

The labour market of Montenegro underwent significant shifts during the first phase of transition, but structural deficiencies have remained, with effects such as high inactivity rates, low levels of female labour market participation, regional disparities and only slow increases in productivity.

As in most other Western Balkan countries, the activity rate (60.3%) and employment rate (48.8%) in Montenegro are low, and unemployment is high, particularly among young people and women (35.6% and 20.6% respectively, compared with an average of 19.2%) (Monstat, LFS 2009). In 2009 the unemployment rate climbed once more to its 2007 level, eradicating the positive results of 2008. In autumn 2009 the economic crisis began to have an impact on the labour market: the number of new jobs registered fell by 50%, from 40 012 in 2008 to 20 126 in 2009.

### **Tertiary sector and SMEs are the most important employers, but the employment rate is low**

The distribution of employment by sector in Montenegro contrasts with the situation in most other Western Balkan countries, but is comparable to the distribution for EU countries. Only 6.5% of employees work in agriculture, whereas employment in services is as high as 72.8% (LFS 2009, see **TABLE 3.9**). This is mainly a result of high levels of employment in tourism and public sector jobs. Concerns have been raised, for example by the Chamber of Commerce, about the need to increase output in manufacturing sector through higher-value-added production. Industrial production decreased dramatically (by 45.6% between November 2008 and November 2009 (European Commission, 2010)). Because of the sector's dependence on foreign markets and as a consequence of restructuring, there was a sharp contraction of industrial production and employment, and these have not been followed by industrial recovery. Recent examples of mass lay-offs include the aluminium plant near Podgorica and the bauxite mine in the North of the country, with a total of 2 600 (announced) redundancies. Following agreement of a social plan, the process of making workers redundant began in early 2010.

Some 78.0% of the workforce is employed in SMEs (17.2% in micro-enterprises with less than five

employees); 61.6% work in privately owned enterprises and 36.6% in state-owned enterprises (ISSP, 2007).

Following years of transition, during which employment decreased, the number of employed people has again started to grow, to 213 600 in 2009, though it has still not reached the level it was in 2000. The proportion of foreign workers is high, with many of them coming from Serbia or Bosnia and Herzegovina and working in construction and tourism; 59 000 work permits for foreign nationals were issued in 2008. Tax relief for non-residents (now abolished with the reformed Law on Employment of Foreign Citizens of 2008) added to the high inflow of migrant workers. In 2009 the number of work permits for foreign workers fell to 16 840, a quarter of their 2008 level (European Commission, 2010). The total employed population comprises around 79% wage employees, with the remaining 21% being self-employed, owners of small businesses, small farmers or unpaid family workers (ISSP, 2007).

### **Large and persistent informal economy, widespread informal employment**

As mentioned previously, Montenegro has a large and persistent informal economy that is estimated to account for around 25–30% of GDP. Informal employment plays an important role in the labour market; aside from its distorting effects, it provides additional flexibility and a form of security for people who are unable to find decent work, or any work at all. Informality is also reflected in the culture of tolerance towards avoiding taxes and social security contributions and evading the relatively inflexible labour law.

According to a survey by the Institute for Strategic Studies and Prognoses (ISSP, 2007), 22.6% of employees either work in unregistered businesses or are unregistered employees in a registered company. In addition, it is estimated that 17.5% of registered employees work in jobs with under-declared wages (taxes and social security contributions are only paid for the declared portion of the wage or the minimum wage; this is a relatively widespread practice in most transition economies).

A programme that offers incentives in the form of exemption from social security contributions for the first year of a newly registered employee and a range of sanctions for employers has helped to reduce undeclared labour and to encourage the formalisation of jobs. The International Trade Union Confederation/Pan European Regional Council has supported the trade unions to tackle the challenge of informal employment.

### **Remarkable reduction of unemployment, but recently climbing again with large share of long-term unemployment**

Unemployment fell markedly from 30.3% in 2005 to 16.8% in 2008, but has since increased again, reaching 19.2% in 2009 (LFS data, see also **TABLE 3.10**). This has mainly affected young people (youth unemployment increased from 30.5% in 2008 to 35.6% in 2009) and marginalised people (an estimated 43% of the RAE population is unemployed (ILO, 2007)).

Montenegro is the only country in the Western Balkans in which the unemployment rate as measured by the LFS exceeds that of registered unemployment. According to the LFS, in 2009 Montenegro had 50 400 unemployed people, whereas only 28 700 individuals (57% of the LFS total) were registered with the EAM, the public employment service. The large difference between the unemployment rates in the LFS and the EAM registers suggests that many unemployed people do not rely on the services provided by the labour offices.

A salient feature of the Montenegrin labour market (and other labour markets of the region) is the persistence and high rate of long-term unemployment. After Albania, the former Yugoslav Republic of Macedonia and Kosovo (UNSCR 1244/99), Montenegro is the country with the highest incidence of long-term unemployment in the Western Balkans. The proportion of long-term unemployment was 81.3% of those defined as unemployed by LFS 2009, and 55.5% of all those registered as unemployed (see **TABLE 3.5**). It is remarkable that the rise in long-term unemployment according to LFS (2008-09) does not show in the EAM register (**TABLE 3.6**).

Long-term unemployment is connected with a range of factors, among them the informal economy, the logic of passive employment measures, and the lack of job vacancies. The groups most affected are vulnerable groups such as the RAE population, individuals with low skill levels, and people with disabilities. More women than men are long-term jobseekers, though the gender gap is closing. Approximately 10% of those in long-term unemployment are very long-term unemployed (longer than eight years without a job). This group includes older people who are entitled to indefinite unemployment insurance payments until they retire, as well as discouraged jobseekers.

### **A range of ALMMs address youth unemployment, with uncertain results**

As in other Western Balkan countries, the unemployment rate for young people is higher than the unemployment rate as a whole. However, not all young unemployed people seek help from the public employment service: according to the LFS the youth unemployment rate is 35.6%, but only 16.35% according to the EAM registers). Almost 20% of registered jobseekers have completed

higher education. Approximately 75% find a job within one year, and 20% within three years<sup>14</sup>.

Montenegro has designed and implemented a National Youth Action Plan (NYAP 2007–12) with a substantial range of ALMMs for young jobseekers. These include training courses (including three days' orientation and application training for young graduates, one or two months' training with work experience in SMEs for young managers, training in generic skills, pre-training for a specific job), seasonal jobs for graduates, public works for young people with disabilities, traineeships with wage subsidies for graduates, self-employment scheme for RAE people, and the 'job for you' programme in the disadvantaged northern region (see **TABLE 3.13** for an overview of ALMMs). No evaluation data are available on the efficiency, effectiveness and impact of these programmes.

### **Disadvantaged position of women in the labour market**

The gender gap in employment and unemployment is considerable: 52.4% of women (68.4% of men) are economically active; 41.6% of women (56.0% of men) are employed; and 20.6% of women (18.2% of men) are unemployed (LFS 2009, working age population aged 15–64). Women's position of disadvantage in the labour market exists despite their comparable qualification levels.

These gaps can partly be explained by the extensive maternity leave provisions in the labour law (for example, one year's paid maternity leave), the lack of available part-time jobs (only 4.5% of all jobs are part time) and the lack of childcare facilities. There are no gender-specific labour market measures or gender mainstreaming policies in place.

Women also face obstacles when starting a business. They have less access to loans and micro-credit because they lack the required guarantees; only 1% of real estate owners are women (EAM, 2007). Projects have been piloted to enhance female entrepreneurship (for example, the Employers' Federation started a project for female entrepreneurs with 30 planned start-ups)<sup>15</sup>.

### **Conditions facilitate early labour market exit for older workers**

Early retirement has frequently been used when enterprises restructure, and the process is facilitated by the law. Employees who have worked for 30 years or more are entitled to indefinite unemployment insurance benefits. The employment rate of the older workforce (aged 55–64 years) increased from 34.2% in 2008 to 35.6% in 2009, already surpassing the goal of 32% set in the National Action Plan for Employment 2010–11. Nevertheless, further efforts need to be made to support the retention of workers from this age group in employment. As a result of employment protection, the

<sup>14</sup> Information provided by the EAM, presentation on 23 October 2009.

<sup>15</sup> Information provided by the Employers' Federation UPCG in November 2009.

unemployment rate is the lowest of all age groups at 10.1% (LFS 2009).

### **Mismatch between supply and demand in the labour market**

Labour demand has changed significantly in the context of transition, but has not led to the creation of sufficient new jobs to absorb the supply. Despite the low pace of job creation, employers complain about skill shortages. The tools for achieving a better match between supply and demand (an effective system of lifelong learning, ALMMs of adequate scale and outreach, and reliable forecasting approaches) are not yet functioning. There is a lack of relevant data on skill demands. As part of the VET reform, surveys on skill requirements have so far covered wood processing, civil engineering and tourism. The EAM holds data on training needs as information for organising labour-market-oriented training courses, and regularly analyses vacancy announcements. A recent survey of personnel and qualification demands in the tourism sector confirms the problems of recruiting qualified staff (EAM, 2009b).

There are large gaps to be closed in order for the overall and female employment rates and the employment rate of the older workforce to meet the benchmarks of the European Employment Strategy. The rates for youth unemployment and long-term unemployment are alarmingly high and increased further from 2008 to 2009. When compared with other IPA countries, long-term unemployment is only higher in the former Yugoslav Republic of Macedonia, and youth unemployment only higher in the former Yugoslav Republic of Macedonia and Serbia.

## **3.2 FLEXICURITY**

### **3.2.1 LABOUR LAWS AND INDUSTRIAL RELATIONS**

Although labour legislation has been reformed and improved, regulations remain rigid<sup>16</sup>. The reform of the Labour Law of 2003 decreased the rigidities in dismissal protection by reducing the minimum severance payment from 24 to 6 months' wages (with exceptions for specific vulnerable target groups) and applying a flat-rate severance payment on the basis of the minimum wage. Fixed-term employment contracts were allowed and regulated. The justified causes for dismissal remained very narrowly limited. Overtime work was strictly regulated and limited (the labour inspectorate must be informed). The law also regulated collective dismissal, and measures to solve or ease the redundancy problem through consultation with trade unions and the EAM.

### **Segmented labour market, with fixed term contracts on the rise**

Around 75% of employment contracts are permanent ones. Fixed-term contracts, which are increasing in popularity, take various forms: seasonal and temporary jobs, renewal of fixed-term contracts, apprenticeships, probation work (limited to six months), substitutes for absent workers, and 'service contracts'. While permanent work contracts remain highly protected, fixed-term contracts have become very common<sup>17</sup>. Part-time work is relatively rare (only 4.5% of work contracts), and almost half of those working part time (44.3%) do this on an involuntary basis, because they are unable to find a full-time job (ISSP, 2007). In general, the law provides very little opportunity for enterprise-internal numerical or functional flexibility.

The most widespread forms of workforce flexibility are those concerned with external contractual and numerical flexibility, for example, (recently introduced) temporary work contracts (84.4 % of all job vacancies announced in the period January–September 2009 were for temporary work contracts<sup>18</sup>) and informal employment. This carries a risk that a segregated labour market will be created with three tiers (well-protected jobs, temporary jobs and informal jobs) instead of increasing the adaptability of the workforce and businesses. This situation is comparable to those in other Western Balkan countries, where reform has also focused on easing the regulations for temporary work contracts.

### **Wage increases exceed productivity increases**

Minimum wages are set by General Collective Agreement(s), and involve applying a coefficient for the educational level of the individual employee. The minimum wage, at €55 per month (2009), is lower than those in other countries of the region. As in other countries, wages in Montenegro have increased more than labour productivity. Labour productivity (measured as GDP per workers employed) had an annual average growth rate of 5.7% between 2001 and 2005 (in manufacturing the rate was only 3.0%), and of 5.0% in 2006. The increase in net wages was higher than the productivity growth in all economic sectors (ISSP, 2007). However, average labour costs were moderate compared with the international situation.

### **Reduced extra wage costs and personal income tax**

The tax wedge is often claimed to be too high, but the overall tax wedge in Montenegro (as in other Western Balkan countries) is lower than in many EU Member States (see **TABLE 3.17**). Recent tax reforms have reduced personal income tax to a flat rate of 12% (with a further reduction to 9% with effect from 2010), but social security contributions are relatively high, and there is no

<sup>16</sup> The legal framework includes a range of recently amended laws: Labour Law 2008, Law on Labour Inspection 2008, Law on Contributions for Compulsory Social Insurance 2008, Law on the Employment and Work of Foreign Citizens 2008, and the Regulation of December 2008 on the procedure for issuing work permits for foreign workers. The legal system to regulate labour immigration is well established and includes a quota system (with 39 450 work permits issued in 2009). There is no Decent Work Country Programme in place.

<sup>17</sup> According to the ISSP survey of 2007, more than 90% of the interviewees stated that fixed-time work was not their voluntary choice.

<sup>18</sup> Information provided by EAM, November 2009.



progressive taxation. The resulting low net wages for low-skill jobs could be a constraint on job creation and make formal declaration unattractive. 'Labour taxation systems seem to support the preservation of dual labour markets instead of promoting integration and formalization [...] the taxes discourage formalization of jobs for low-wage labour' (Arandarenko and Vukojevic, 2008). It should be mentioned that employers' social security contributions have also been further reduced in 2010.

### 3.2.2 ACTIVE LABOUR MARKET MEASURES

#### Increasing use of ALMMs

As in other Western Balkan countries, ALMMs are increasingly being implemented in Montenegro, but with a limited impact on the activation of disadvantaged groups. The substantial increase in their use is limited not only by budget constraints, but also by weak institutional capacities and delivery systems. However, the proportion of (registered) unemployed people participating in activation measures is relatively high (39% of the total of those registered as unemployed, according to the EAM), but there is no information available on the results and impact of these measures. However, according to the LFS database, only 6% of jobseekers attend some form of training (ISSP, 2007).

#### Wide range of ALMMs implemented, but not successful in combating long-term unemployment

The range of measures implemented by the EAM include support for self-employment (including micro-credits), public works, subsidised employment for graduates' first job (mainly targeted at university graduates), training courses, job-search and application training, and measures for people with disabilities and those from socially disadvantaged groups. The total number of participants in 2009 was 11 181; active labour market expenditure was €8.35 million. The low level of participation by disadvantaged individuals and those with disabilities (238) and the high and increasing rate of long-term unemployment suggest a tendency to 'cream off' the clients who are most easily employable. (See **TABLES 3.13** and **3.14** for more details on ALMMs).

#### Job placement and referral system in need of improvement

EAM services are organised in different specialised units working with clients, the most important being the unit for unemployed people (29% of staff) and the unit for employers and active measures (15% of staff). This staff allocation results in a high caseload for the front-desk counsellors who are directly working with unemployed clients, ranging somewhere between 150 and 600 unemployed individuals for each counsellor. Various state-of-the-art tools and methods for referral and placement are used, including clustering of unemployed

people (into 'easy to place', 'conditional' and 'hard to place' people), group counselling, job clubs and alerting jobseekers about vacancies using mobile phone text messages. In order to facilitate the matching process, jobseekers and vacancies are also clustered by qualification levels. The compulsory vacancy notification system that is currently used will be deregulated, and this will present a further challenge for the EAM placement system because job vacancies will have to be 'canvassed' and the cooperation of employers will largely depend on their satisfaction with placement results.

### 3.2.3 UNEMPLOYMENT BENEFIT AND SOCIAL SECURITY SYSTEM

The unemployment benefit scheme in Montenegro, like those in most other Western Balkan countries, is characterised by a low level of coverage, a low wage-replacement rate, a short duration of payment, and tight entitlement rules (for example, workers who have left their jobs voluntarily are not eligible). As a result, only one-third of those who are registered unemployed receive unemployment insurance benefits, but this coverage rate (34.5%) is still higher than in Croatia or Serbia (**TABLE 3.18**). The duration of payment ranges from three months (after a previous employment record of at least nine months) to 12 months (for an employment record of 15 years). Individuals who have worked for a minimum of 30 years are entitled to receive (open-ended) unemployment benefits until they formally retire (this partly explains the large number of people in very long-term unemployment). The net benefit amount paid is a flat rate of 65% of the basic minimum wage: currently €35.75; this can be topped up with the means-tested 'family material support' benefit paid by the Centres for Social Work. The wage-replacement rate of unemployment benefit is, at only 10%, the lowest in the Western Balkans.

The difference between the number of unemployed people according to the LFS and the number who are unemployed according to the EAM register can be explained as follows: 'The Employment Office (has) tightened the rules regarding the unemployment status. Some new requirements have been introduced including regular reporting, attending consultation with vocational advisers etc. Mainly thanks to strict application of these new rules the Employment Office has managed to half the number of registered unemployed people from over 80 000 in 2001 to less than 40 000 in 2006 (and 28 378 in 2008). Obviously such tightening of rules can be criticised as an easy way to artificially decrease the number of unemployed. On the other hand however, taking into account the limited resources, the Employment Office should work only with those unemployed who are really looking for jobs and not with those who register for other reasons' (ISSP, 2006). It is obvious that this approach is not helpful in terms of achieving the ambitious objectives set in the National Strategy for Employment and Human Resources Development and National Action Plan for Employment.



### 3.3 JOB CREATION

#### Insufficient level of job creation

Efforts to create new jobs have yet to offset the job losses that occurred during the years of transition and restructuring, and it will be difficult to achieve this in the current phase of reduced demand. The GDP growth that took place during the prosperous years of 2006–2008 has not translated into employment growth, and confirms the ‘jobless growth’ phenomenon observed in many transition economies. Tourism, agriculture, construction and trade are seen as sectors with growing employment potential. Tourism is regarded as one of the most prosperous industries of Montenegro (MoF, 2007). A tourism master plan covering the period up to 2020 has been developed. However, the tourism sector survey forecasts a rather modest job growth of 0–3% per annum for the next three years (EAM, 2009b).

SMEs, which are important generators of new jobs, are supported within the framework of entrepreneurial and start-up schemes. SMEs account for 99% of all enterprises, 62% of GDP and approximately two-thirds of the workforce (EAM, 2007). The National Strategy for Employment and Human Resources Development (Government of Montenegro, 2006) sets out a series of measures to enhance growth of the SME sector. The Directorate for Development of SMEs and employers’ representatives (Chamber of Commerce and Montenegrin Employers’ Federation) are implementing support schemes, though these are on a moderate scale because there are limited resources available. The EAM has been running a self-employment programme since 1999; this is said to have created 16 000 jobs, though there is no data available about their sustainability.

Favourable business conditions are in place: business start-up procedures take on average 13.2 days, compared with the international average of 38 days (World Bank et al., 2009), and there is a flat corporate tax rate of 9%. However, according to the enterprise survey carried out by the IFC, the main business obstacles cited by large and medium enterprises are the practices of the informal sector, which distort the competition; small companies cite problems with the supply of electricity and access to finance as the main problems (World Bank and IFC, 2009).

### 3.4 INSTITUTIONAL ARRANGEMENTS AND CAPACITIES IN EMPLOYMENT POLICY

#### Social dialogue and increasing capacities of social partners

The tripartite mechanism that is in place is the Social Council (created in 2001, formerly the Economic and Social Council), which plays a consultative role. The Social Council is defined by Government Regulation and consists

of 33 members (11 each from government, workers’ and employers’ sides). The recognised representative bodies are the Montenegrin Employers Federation (UPCG, founded 2002, with representative status since 2005) and the Confederation of Trade Unions (SSSCG). Social partners are negotiating collective agreements at general (state), sectoral and company level, as well as measures to cope with mass redundancies. They play an important role in wage setting.

#### Labour market management needs improvement

Gaps are apparent in the employment policy framework in terms of an effective policy cycle, and the institutional set-up is still weak. The weak points relate to the feasibility and viability of setting and achieving labour market goals, the monitoring system, and the absence of policy and programme evaluation. Coordination at horizontal (inter-ministerial) level is weak, and responsibilities do not seem to be clearly defined or distributed. The formal political responsibility for the EAM lies with the Ministry of Labour and Social Welfare, but the EAM’s general manager is appointed by the Prime Minister, and the budget of the EAM is allocated by the Ministry of Finance.

The Ministry of Labour and Social Welfare, with around 30 staff at central level, has two labour market divisions:

- the Department for Employment and the Labour Market (including a unit for adult learning), with a staff of five; this department is also responsible for coordination with the EAM;
- the Labour Relations Department, which is responsible for legal aspects (labour code), and the Labour Inspectorate unit; the Labour Inspectorate works in the field, with eight regional units, 26 labour inspectors and 13 specialists in health and safety in the workplace; according to the ministry there is a need for more labour inspectors in order to better cope with the required monitoring tasks.

Other related units are the Department for Pensions and Insurance and the Department for Social Protection and Child Care (each with a staff of five). Social services in the field are delivered by the centres for social work. Decentralisation of social services is planned, but has been postponed because of a lack of financial resources at municipal level.

#### Improving public employment services, but with a low ‘market share’

The EAM, the public employment service of Montenegro, is responsible for delivering passive and active labour market policy measures. The EAM also offers professional information and guidance organised in specialist centres, which are currently only operational in Podgorica.

The EAM’s budget derives mainly from three sources: the unemployment insurance fund, revenues from privatisation (which have decreased sharply because the privatisation of state enterprises is almost complete) and

the state budget, which accounts for more than half the EAM's funding. The EAM's annual labour market expenditure has remained relatively constant since 2006 (around €30 million per annum), with an increasing proportion being spent on passive measures (46.5% budgeted for 2010), the share allocated for active measures remaining constant, and a decreasing share spent on management and administration (**TABLE 3.14**). Expenditure on ALMMs (excluding micro-credit) represented approximately 0.3% of GDP<sup>19</sup>.

The EAM's staff of 340 (299 of them women) are distributed across the country to seven regional bureaus and 14 local offices. Training is regularly provided for counsellors. The organisational structure of the EAM covers all vital functions of a public employment service, and service procedures have been continuously improved and upgraded. However, the EAM's low 'market share' (the large gap between the unemployment rates in the LFS and EAM registers) is problematic and calls for the efficiency and impact of services to be further improved.

## TABLES AND FIGURES

**TABLE 3.1 POPULATION AND EMPLOYMENT, 2004–09**

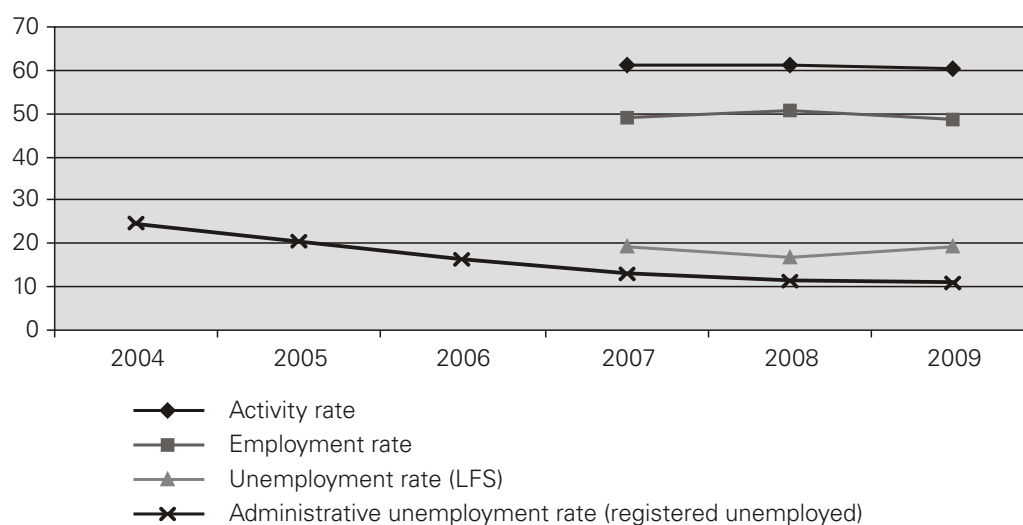
Indicator	2004	2005	2006	2007	2008	2009
<b>Total population (thousands)<sup>a</sup></b>	631	625	621	621	622	642
<b>Urban population (%)<sup>b</sup></b>					60.2	
<b>Fertility rate<sup>b</sup></b>					1.6	
<b>Population 15+ (thousands)<sup>c</sup></b>			517	510	513	517
<b>Working age population 15–64 (thousands)<sup>c</sup></b>				429	432	434
<b>Employed population (thousands)<sup>d</sup></b>	187	179	178	213	222	214
<b>Employment growth (% annual change)<sup>e</sup></b>		-4.3	-0.6	19.7	4.2	-3.6
<b>Employed people (administrative data, thousands)<sup>f</sup></b>			151	156	166	

Sources: (a) World Bank; 2009: LFS; (b) World Bank WDI database; (c) LFS; (d) LFS; 2004 and 2005: wiiw; (e) ETF calculation; (f) Monstat.

**TABLE 3.2 ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT RATES, 2004–09**

%	2004	2005	2006	2007	2008	2009
<b>Activity rate</b>				61.0	61.2	60.3
<b>Employment rate</b>				49.2	50.8	48.8
<b>Unemployment rate (LFS)</b>				19.4	16.9	19.2
<b>Administrative unemployment rate (registered unemployed)</b>	24.7	20.6	16.4	13.0	11.2	10.9

Source: LFS, 15–64 age group.

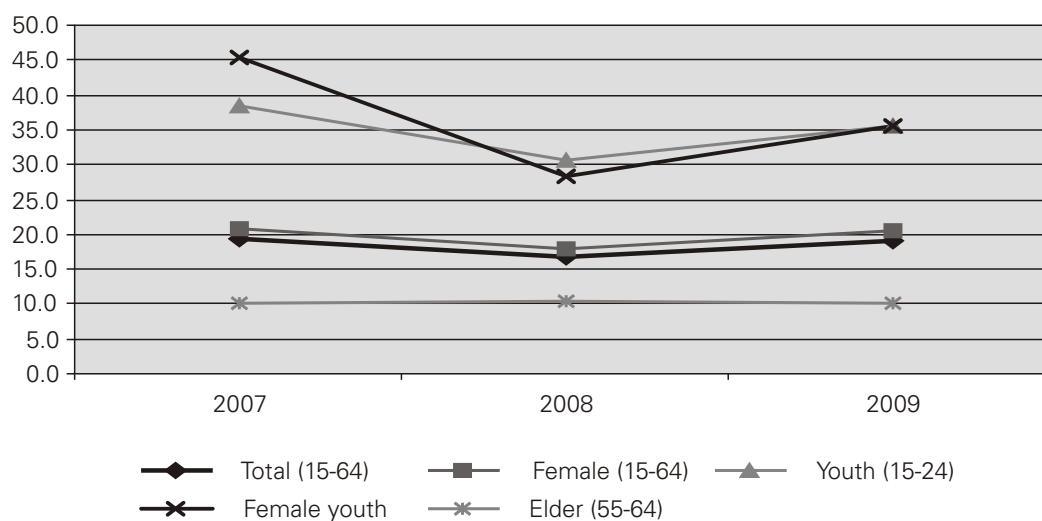
**FIGURE 3.1 ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT RATES, 2004–09**

Sources: LFS 2004–09; EAM data.

**TABLE 3.3 UNEMPLOYMENT RATES BY AGE AND GENDER, 2007–09**

%	2007	2008	2009
<b>Total unemployment rate (15–64)</b>	19.4	16.9	19.2
<b>Female unemployment (15–64)</b>	20.9	17.9	20.6
<b>Youth unemployment (15–24)</b>	38.3	30.5	35.6
<b>Female youth unemployment (15–24)</b>	45.4	28.2	35.6
<b>Unemployment of older workers (55–64)</b>	10.1	10.5	10.1
<b>Proportion of long-term unemployment (without a job for more than one year)</b>	73.2	79.4	81.3
<b>Proportion of long-term unemployed according to EAM records</b>	59.8	55.5	53.4

Note: figures for 2007 are less accurate estimates.  
Sources: LFS, 15–64 age group; EAM.

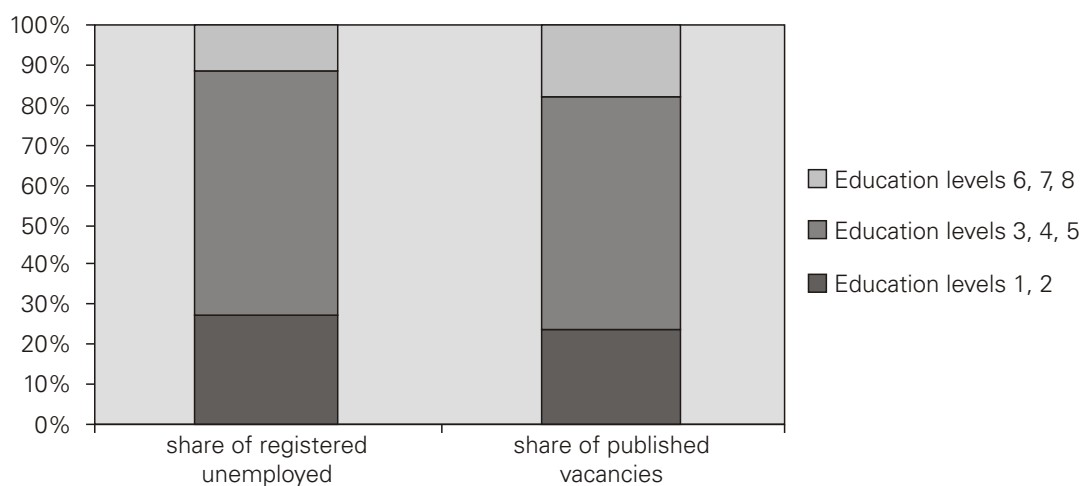
**FIGURE 3.2 UNEMPLOYMENT RATES BY AGE AND GENDER, 2007–09**

Source: LFS 2007–09.

**TABLE 3.4 MISMATCH BETWEEN SUPPLY AND DEMAND: QUALIFICATION LEVEL OF REGISTERED UNEMPLOYED AND OF VACANCIES**

%	Education levels		
	1 and 2	3, 4 and 5	6, 7 and 8
<b>Proportion of registered unemployed</b>	27.0	61.2	11.8
<b>Proportion of published vacancies</b>	24.0	58.1	17.8

Source: EAM data, obtained 16 November 2009.

**FIGURE 3.3 QUALIFICATION LEVEL OF REGISTERED UNEMPLOYED AND JOB VACANCIES, 2008**

Source: EAM data, obtained 16 November 2009.

**TABLE 3.5 DURATION OF UNEMPLOYMENT, 2007 AND 2008**

% of registered unemployed	2007	2008
<b>Less than 1 year</b>	40.1	44.5
<b>1–3 years</b>	28.6	26.0
<b>3–5 years</b>	15.0	13.1
<b>5–8 years</b>	5.2	6.6
<b>More than 8 years</b>	11.1	9.8

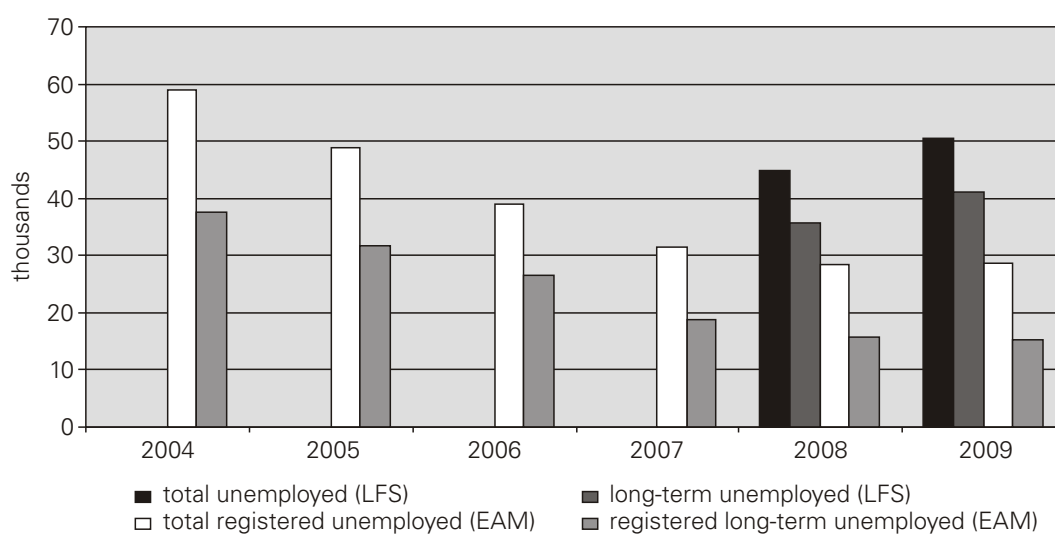
Source: EAM data.

**TABLE 3.6 LONG-TERM UNEMPLOYMENT, LFS AND REGISTERED UNEMPLOYMENT, 2004–09**

Thousands	2004	2005	2006	2007	2008	2009
<b>Total unemployed<sup>a</sup></b>					44.8	50.4
<b>Long-term<sup>1</sup> unemployed<sup>a</sup></b>					35.6	41.0
<b>Total registered unemployed<sup>b</sup></b>	59.0	48.8	38.9	31.5	28.4	28.7
<b>Registered long-term<sup>1</sup> unemployed<sup>b</sup></b>	37.6	31.7	26.6	18.8	15.7	15.3

(1) For more than 1 year.

Sources: (a) LFS 2008, 2009; (b) EAM data.

**FIGURE 3.4 LONG-TERM UNEMPLOYMENT, LFS AND REGISTERED UNEMPLOYMENT, 2004–09**

Sources: LFS 2008, 2009; EAM data.

**TABLE 3.7 ACTIVITY RATES BY EDUCATION LEVEL, AGE AND GENDER (EES INDICATOR 17.M4), 2005–09**

Indicator		2005	2006	2007	2008	2009
Total	15+	49.9	48.9	51.8	51.9	51.1
	Less than primary			((11.9))	14.4	9.8
	Primary education (ISCED 1)			28.4	26.5	23.8
	Vocational education after primary			64.5	60.8	63.5
	Secondary general education			46.3	45.1	41.7
	Secondary vocational education			64.7	65.4	63.7
	Tertiary education (ISCED 5 and 6)			76.1	78.7	79.3
	15–64			61.0	61.2	60.3
	15–24			32.7	33.7	28.9
	25–49			78.1	78.2	78.6
	55–64				37.8	39.6
	50–64			52.0	51.8	51.5
Male	15+	57.4	57.8	60.0	60.4	59.3
	Less than primary			((22.6))	28.6	(18.5)
	Primary education			38.3	36.8	33.2
	Vocational education after primary			67.0	68.9	69.2
	Secondary general education			51.6	47.2	48.3
	Secondary vocational education			70.4	70.8	69.2
	Tertiary education			73.9	75.7	75.4
	15–64			69.1	69.5	68.4
	15–24			35.4	37.9	32.3
	25–49			87.2	86.0	86.5
	55–64				52.7	54.7
	50–64			63.6	66.1	64.8
Female	15+	42.9	41.0	43.9	43.9	43.3
	Less than primary			((7.6))	(8.4)	6.3
	Primary education			(20.4)	18.1	16.5
	Vocational education after primary			60.8	48.5	54.8
	Secondary general education			(42.0)	43.3	36.0
	Secondary vocational education			58.7	59.7	57.7
	Tertiary education			79.1	82.1	83.5
	15–64			53.0	53.0	52.4
	15–24			29.8	29.3	25.2
	25–49			69.0	70.6	70.8
	55–64				24.6	26.0
	50–64			41.3	38.1	39.0

( ) = Less accurate estimate; (( )) = Inaccurate estimate.

Source: Monstat LFS.

**TABLE 3.8 EMPLOYMENT RATES BY EDUCATION LEVEL, AGE AND GENDER (EES INDICATOR 17.M1, 17.M2), 2005–09**

Indicator		2005	2006	2007	2008	2009
Total	15+	34.8	34.5	41.7	43.2	41.3
	Less than primary			((10.7))	12.3	(8.0)
	Primary education			(20.2)	19.7	17.2
	Vocational education after primary			45.7	46.5	46.2
	Secondary general education			34.5	38.2	34.3
	Secondary vocational education			53.5	54.2	51.9
	Tertiary education			68.8	72.8	70.5
	15–64			49.2	50.8	48.8
	15–24			20.1	23.4	18.6
	25–49			63.4	65.3	63.7
	50–64			46.7	46.4	45.3
	55–64			37.7	34.2	35.6
Male	15+	42.4	41.0	49.1	50.8	48.6
	Less than primary			((22.0))	24.6	(16.2)
	Primary education			(28.4)	28.7	25.5
	Vocational education after primary			47.1	54.4	53.6
	Secondary general education			(40.8)	41.2	41.1
	Secondary vocational education			(58.9)	59.2	56.3
	Tertiary education			67.3	70.2	67.5
	15–64			56.5	58.3	56.0
	15–24			(23.9)	25.7	20.7
	25–49			71.9	73.1	71.8
	50–64			55.9	59.2	56.3
	55–64			48.6	47.0	47.9
Female	15+	27.6	28.7	34.7	36.1	34.4
	Less than primary			((6.2))	(7.2)	4.9
	Primary education			(13.6)	12.3	10.7
	Vocational education after primary			(43.5)	34.6	35.0
	Secondary general education			(29.4)	35.6	28.5
	Secondary vocational education			47.9	49.0	47.1
	Tertiary education			70.8	75.9	73.7
	15–64			41.9	43.5	41.6
	15–24			(16.3)	21.0	16.3
	25–49			54.9	57.8	55.8
	50–64			38.3	34.0	34.9
	55–64			(28.1)	22.9	24.5

( ) = Less accurate estimate; (( )) = Inaccurate estimate.  
Source: Monstat LFS.

**TABLE 3.9 STRUCTURE OF EMPLOYMENT BY SECTOR, 2009**

		Employees, Total (thousands)	Of which women (thousands)	Share of sector (%)
<b>NACE<sup>1</sup> sectors, Total</b>		<b>213.6</b>	<b>91.4</b>	<b>100.0</b>
<b>A–B</b>	<b>Agriculture and fisheries</b>	<b>13.8</b>	<b>4.9</b>	<b>6.5</b>
C, D	Mining and manufacturing			11.4
E	Electricity, gas and water supply			2.6
F	Construction			6.7
<b>C–F</b>	<b>Industry</b>	<b>44.3</b>	<b>9.1</b>	<b>20.7</b>
G	Wholesale and retail trade, certain repairs			21.6
H	Hotels and restaurants			8.4
I	Transport, storage and communication			8.4
J	Financial intermediation			1.8
K	Real estate, leasing and business activities			3.2
L	Public administration and defence			9.1
M	Education			6.3
N	Health and social work			6.0
O	Other social and personal services			8.0
<b>G–O</b>	<b>Services</b>	<b>155.6</b>	<b>77.5</b>	<b>72.8</b>

(1) Statistical classification of economic activities in the European Community.  
Source: Monstat LFS, 2009.



**TABLE 3.10 UNEMPLOYMENT RATES BY EDUCATION LEVEL, AGE AND GENDER (EES INDICATOR 17.M3, 18.M1), 2005–09**

Indicator		2005	2006	2007	2008	2009
Total	15+	30.3	29.6	19.4	16.8	19.1
	Less than primary			–	((14.1))	(18.4)
	Primary education			(28.9)	25.8	27.9
	Vocational education after primary			(29.2)	23.4	27.3
	Secondary general education			(25.5)	15.4	17.6
	Secondary vocational education			17.3	17.1	18.5
	Tertiary education			((9.6))	(7.5)	11.1
	15–64			19.4	16.9	19.2
	15–24			(38.3)	30.5	35.6
	25–49			18.8	16.4	18.9
	50–64			(10.1)	10.5	12.0
Male	15+	26.2	29.1	18.2	15.9	18.0
	Less than primary			–	((14.0))	((12.4))
	Primary education			(25.8)	22.0	23.3
	Vocational education after primary			(29.6)	21.0	22.6
	Secondary general education			((20.8))	12.8	(14.9)
	Secondary vocational education			16.3	16.5	18.7
	Tertiary education			((8.9))	(7.3)	(10.5)
	15–64			18.2	16.1	18.2
	15–24			(32.6)	32.1	35.7
	25–49			(17.6)	15.0	17.0
	50–64			((12.1))	10.4	13.0
Female	15+	35.5	30.1	20.9	17.9	20.4
	Less than primary			–	((14.3))	24.8
	Primary education			(33.5)	32.2	35.2
	Vocational education after primary			((28.4))	(28.6)	36.2
	Secondary general education			((30.1))	17.8	20.8
	Secondary vocational education			(18.5)	17.9	18.3
	Tertiary education			((10.5))	(7.6)	11.7
	15–64			21.0	18.0	20.6
	15–24			(45.4)	28.2	35.6
	25–49			20.4	18.2	21.1
	50–64			–	(10.6)	10.4

( ) = Less accurate estimation; (( )) = Inaccurate estimation; – = Extremely inaccurate estimation.  
Source: Monstat LFS; 2004: wiiw.

**TABLE 3.11 UNEMPLOYMENT RATES BY EDUCATION LEVEL AND GENDER (% OF TOTAL UNEMPLOYED POPULATION), 2007–09**

Indicator		2007	2008	2009
<b>Total</b>	<b>Less than primary</b>	–	–	1.6
	<b>Primary education</b>	(16.8)	16.5	14.4
	<b>Vocational education after primary</b>	(22.0)	17.3	20.2
	<b>Secondary general education</b>	(10.8)	6.3	5.7
	<b>Secondary vocational education</b>	39.7	49.1	46.1
	<b>Tertiary education</b>	((9.7))	(8.5)	12.1
<b>Male</b>	<b>Less than primary</b>	–	((2.4))	1.0
	<b>Primary education</b>	(17.0)	16.4	13.8
	<b>Vocational education after primary</b>	(26.1)	19.8	20.6
	<b>Secondary general education</b>	((8.2))	4.7	(4.8)
	<b>Secondary vocational education</b>	(39.0)	48.8	49.3
	<b>Tertiary education</b>	((9.4))	(7.9)	(10.5)
<b>Female</b>	<b>Less than primary</b>	–	–	2.2
	<b>Primary education</b>	((16.5))	16.8	(15.0)
	<b>Vocational education after primary</b>	((17.4))	(14.5)	19.9
	<b>Secondary general education</b>	((13.7))	(8.2)	(6.7)
	<b>Secondary vocational education</b>	(40.4)	49.4	42.5
	<b>Tertiary education</b>	(10.0)	((9.2))	13.8

( ) = Less accurate estimation; (( )) = Inaccurate estimation; – = Extremely inaccurate estimation.  
Source: Monstat LFS.

**TABLE 3.12 REGISTERED UNEMPLOYMENT, PUBLIC EMPLOYMENT SERVICE DATA, 2004–09**

Indicator	2004	2005	2006	2007	2008	2009
<b>Registered unemployed – EAM (thousands)</b>	59.0	48.8	38.9	31.5	28.4	28.7
% of women	52.6	47.7	45.6	44.5		
<b>Recipients of unemployment cash benefits (thousands)</b>					9.8	
Men (thousands)					6.2	
Women (thousands)					3.6	
<b>Unemployment rate, registered unemployed (%)</b>	24.7	20.6	16.4	13.0	11.2	10.9
<b>Long-term registered unemployed (% of total reg. unempl.)</b>				59.8	55.5	53.4
Searching job for 1–3 years (% of total unempl.)				28.6	26.0	
Searching job for 3–5 years (% of total unempl.)				15.0	13.1	
Searching job for 5–8 years (% of total unempl.)				5.2	6.6	
Searching job for more than 8 years (% of total unempl.)				11.1	9.8	
<b>Qualification level of registered unemployed (%)</b>						
Level 1, 2				25.4	27.0	27.0
Level 3, 4, 5				63.0	61.2	61.0
Level 6, 7, 8				11.6	11.8	12.0
<b>Published vacancies (thousands)</b>				64.0	64.6	45.0
Indefinite contracts (%)						15.8
Fixed-term contracts (%)						84.2
<b>Vacancies in relation to registered unemployed (%)</b>				2.0	2.3	1.6
<b>EES indicator 20.A1</b>						
<b>Qualification level of vacancies (%)</b>						
Level 1, 2				27.6	24.1	
Level 3, 4, 5				56.2	58.1	
Level 6, 7, 8				16.2	17.8	

(1) CPESSEC, Statistical Bulletin No 1 and 2.  
2009: EAM data, as of 16 November 2009.

TABLE 3.13 ACTIVE LABOUR MARKET MEASURES IMPLEMENTED BY EAM

Programme	Short description	Implemented since	Participants
<b>Employment and entrepreneurship</b>	Target groups: unemployed and redundant workers  Micro-credits of €5 000 for each job created (max. €15 000)  Total budget: €51 million (2009: €4.5 million)	1999	1999–2009 2009
			■ 15 928 new jobs created ■ 912 people employed ■ 1 300 participants in entrepreneurship training
<b>Public works</b>	Non-profit-oriented work in such fields as culture, environmental protection and home care, organised by communities or at national level	2000	2008 2009
			■ 1 200 ■ 2 300
<b>Wage subsidies for first job (NYAP)</b>	Monthly subsidies paid for one year period of traineeship  Ranging from €301.65 or 277.90 for university graduates (12 months subsidised) to €204.76 for post-secondary graduates (9 months funded) and €160.88 for secondary graduates (6 months funded)	1992	2000–06 2009
			■ 14 000 beneficiaries ■ 1 576 trainees employed ■ 1 903 trainees financed in total by EAM: • 999 university graduates • 78 post-secondary graduates • 16 secondary graduates
<b>Training for 'known employer'</b>	Unemployed people trained according to a specific skill requested for a specific job	1990	2009
			■ 276 participants
<b>Labour market training</b>	Training to improve employability	1990	2008 2009
			■ 4 800 ■ 2 053 participants in training courses for 'specific skills' ■ 1 064 participants in training courses for long-term unemployed people
<b>Information and motivation training</b>	Providing labour market orientation, motivation for job search, application training (1–3-day courses)	2002	2009
			■ 1 200 unemployed people participated, plus 831 participants in career guidance, psychological counselling, professional selection and information seminar for students and unemployed people
<b>Subsidies for people with disabilities or other disadvantaged individuals</b>	Target groups: people with disabilities and other disadvantaged people		2009
			■ 195 people with disability employed (+11 with visual impairments) ■ 32 beneficiaries from rehabilitation measures ■ 16 beneficiaries from social inclusion programme
<b>Total participants</b>			<b>2009 ■ 11 181</b>

Sources: Information provided by EAM, 10 February 2010; Data for 2008: CPESSEC, 2009.

TABLE 3.14 EAM EXPENDITURE, 2005–10

	2005	2006	2007	2008	2009	2010 (planned)
<b>Total expenditure on labour market (million €)</b>	18.81	30.63	27.39	30.90	31.97	32.67
<b>Expenditure on ALMMs (million €)</b>	5.03	7.88	8.56	8.44	8.35	9.09
<b>% of total expenditure on management and administration</b>	30.8	22.5	27.7	24.5	18.7	17.5
<b>% of total expenditure on passive labour market measures</b>	22.5	17.8	20.7	28.6	39.5	46.5
<b>% of total expenditure on ALMMs</b>	26.8	25.7	31.2	27.3	26.1	27.8
<b>% of total expenditure on self-employment micro-credit</b>	16.6	24.4	6.3	12.2	14.7	7.7
<b>% of total expenditure on other measures</b>	3.3	9.6	14.1	7.4	1.0	0.5

Source: ETF calculation, based on information provided by EAM, February 2010.

TABLE 3.15 TERRITORIAL DIFFERENCES IN UNEMPLOYMENT, 2009

	Total	North	Centre	of which Podgorica	South (coastal)
<b>Population (thousands)</b>	642.3	194.8	294.3	183.9	153.3
<b>Proportion of population (%)</b>	100.0	30.3	45.8	28.6	23.9
<b>Unemployment rate, 15+ (%)</b>	19.1	28.8	18.5	16.0	10.3
<b>Unemployment rate for men, 15+ (%)</b>	18.0	23.5	17.7	16.3	12.3
<b>Unemployment rate for women, 15+ (%)</b>	20.4	36.9	19.5	15.7	7.9

Sources: Monstat, 2009; LFS.

TABLE 3.16 MAIN SOCIAL ASSISTANCE BENEFIT SYSTEMS, 2007

	Beneficiaries	Average amount per month (€)
Unemployment cash benefit recipients	8 240	35.75*
Family material support benefit recipients	12 741	per family 76.74
Cash support for veterans and (war) disabled	7 260	
Pensioners (old age and disability pension)	93 692	185.67

(\*) 2009.

Source: ISSP, 2008.

TABLE 3.17 WAGE LEVELS AND THE ROLE OF TRADE UNIONS IN WAGE SETTING

	EU-25	Albania	Croatia	Macedonia (fYR)	Montenegro	Serbia
Minimum wage, 2007 (€ per month)		92.62	280	85	52 (55 since 2009)	119
Tax wedge for a single person at two-thirds of average earnings, 2006/07 (%)	37.0	29.9	40.1	37.6	38.6	38.4
Trade union density, 2004 (%)		n.a.	40–45	45	28–34	40
Collective bargaining coverage, 2004 (%)		n.a.	50		50–60	70

Source: wiiw, 2008, pp. 24, 26 and 29.

**TABLE 3.18 UNEMPLOYMENT RATES AND PASSIVE LABOUR MARKET MEASURES, 2008**

	Albania	Croatia	Macedonia (fYR)	Montenegro	Serbia
<b>Number of unemployed people according to LFS</b>		155 000	310 400	44 800	457 200
<b>Number of registered unemployed</b>		240 455	343 363	28 378	727 621
<b>Registered unemployed as % of unemployed according to LFS</b>		155.1	110.6	63.3	159.1
<b>Number of recipients of unemployment cash benefits</b>		57 258		9 798	72 718
<b>Coverage of unemployment benefits (% of registered unemployed receiving cash benefits)</b>		23.8		34.5	10.0
<b>Wage replacement rate of unemployment benefits, 2005 (%)</b>	20.0	20.5	37.0	10.0	60.5
<b>Maximum duration of payment of unemployment benefits (months)</b>	12	10	14	12	24

Sources: CPESSEC, 2009; ETF calculation.

TABLE 3.19 LABOUR MARKET INDICATORS FOR IPA COUNTRIES AND EU BENCHMARKS

%	EU-27 2008	EU 2010 objectives	Albania 2008	Croatia 2008	Macedonia (fYR) 2008	Montenegro 2008	Serbia 2008	Turkey 2008
<b>Employment rate 15–64<sup>a</sup></b>	65.9	70	53.8	57.8	41.9	50.8	53.3	45.9
<b>Female employment rate 15–64<sup>a</sup></b>	59.1	60	45.6	50.7	32.9	43.5	35.9 (15+)	24.3
<b>Employment rate of older workers 55–64<sup>b</sup></b>	45.6	50	46.0	36.6	28.8	34.2	37.9	29.5
<b>Employment in agriculture (% of total)<sup>c</sup></b>	5.7		44.7	13.5	18.2*	7.6	24.1	26.2
<b>Employment in industry (% of total)</b>	24.9		17.8	29.9		21.4		
<b>Employment in services (% of total)</b>	69.4		37.5	53.7		71.0		
<b>Unemployment rate 15+<sup>d</sup></b>	7.0		13.0	8.4	34.0	16.8	13.6	11.0
<b>Female unemployment rate 15+<sup>d</sup></b>	7.5		13.7	10.1	34.3	17.9	15.8	11.6
<b>Youth unemployment rate 15–24<sup>e</sup></b>	15.4		27.2	21.9	56.4	30.5	37.4	18.1
<b>Unemployment rate of older workforce 55–64<sup>f</sup></b>	5.1		8.2	5.6 (u)	28.5	9.6	7.6	4.0
<b>Long-term<sup>1</sup> unemployment (% of labour force)<sup>g</sup></b>	2.6		8.6	5.3	28.7	13.3	9.7	2.9

(1) 12 months or more; (\*) 2007; (u) = Unreliable data.

Sources: (a) EU-27, Croatia, the former Yugoslav Republic of Macedonia and Turkey: Eurostat, Structural Indicators; Albania, Montenegro and Serbia: LFS; (b) EU-27, Albania and Turkey: Eurostat, Structural Indicators; Montenegro, Serbia, Croatia and the former Yugoslav Republic of Macedonia: LFS; (c) LFS; EU-27: European Commission, Employment in Europe 2009; Albania: INSTAT; (d) Eurostat, Structural Indicators; Albania: LFS (15–64); (e) EU-27: Eurostat, LFS series; Albania, Montenegro, Serbia, Croatia, the former Yugoslav Republic of Macedonia and Turkey: LFS; (f) EU-27, Croatia, the former Yugoslav Republic of Macedonia and Turkey: Eurostat, LFS series; Albania, Montenegro and Serbia: LFS; (g) Eurostat, Structural Indicators; Montenegro: LFS; Albania: INSTAT.



# 4. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN SOCIAL INCLUSION

## 4.1 POLICY INITIATIVES AND PROGRAMMES FOR VULNERABLE GROUPS

### Social inclusion concept recently introduced

Social inclusion is a new concept for Montenegro; it is an idea that is not easily translatable into the Montenegrin language, and is often confused with, or limited to, social protection and social welfare. Poverty was initially the focus of public attention and debates, since it had become the most visible expression of the deepening social inequalities of the period following the dissolution of Yugoslavia. Subsequently the Poverty Alleviation and Social Inclusion Strategy (Government of Montenegro, 2007a) introduced and defined the concepts of social exclusion and inclusion. Building on these national definitions, the National Human Development Report (UNDP, 2009b) promoted the EU understanding of social inclusion<sup>20</sup> in 2009.

### Poverty as a major driver for social exclusion

There is a consensus in Montenegro that poverty is the major driver for social exclusion and the main impediment to social inclusion in the country. Hence, researchers and policymakers have systematically targeted poverty over the last decade. The Development and Poverty Reduction Strategy (2004–06) adopted by the government in 2003 was intended to contribute primarily by decreasing the proportion of the population who were economically vulnerable. In 2007 a Poverty Alleviation and Social Inclusion Strategy (2007–11) was passed (Government of Montenegro, 2007a); this aimed at a more holistic approach for combating poverty and ensuring social stability through coordinated actions in the education, health, social welfare and employment sectors.

In 2007 the absolute poverty line<sup>21</sup> in Montenegro was set at €150.76 per month per adult equivalent; 8% of the population were living below this in 2007, while approximately one-third of the total population were living just above the poverty line and were defined as economically vulnerable (Monstat, 2009a). With regard to non-monetary indicators of poverty in Montenegro, research carried out by Monstat in 2006 showed severe deprivation in terms of housing standards and access to publicly provided services. As shown in **TABLE 4.1**, around 36% of poor people lived in dwellings with less

than 10m<sup>2</sup> per person, compared to 9% for those defined as non-poor. Some 18% of poor people lived in dwellings without indoor bathrooms or connection to the sewerage system, and around 43% of them did not have a washing machine in their household. Physical distance from the main community services is greater for poor than for non-poor individuals. Distances of more than 10km to a hospital were found for 44% of poor people and 27% of those defined as non-poor. Greater distances to school for poor people, especially secondary school, can limit their educational advancement (Monstat, 2009a).

Although the absolute poverty rate in Montenegro fell from 11.3% in 2006 to 8.0% in 2007 (Monstat, 2009a), mainly as a result of the economic boom and the subsequent increases in job creation and wages, in 2008 it increased again, reaching 10.8% (UNDP, 2009b). These data are the first signs of the negative impact of the economic deceleration on poverty and social exclusion. Further increases in the numbers of those who are poor and economically vulnerable in Montenegro (especially in the already existing pockets of poverty in the North, in the rural areas and among RAE and internally displaced people) can be projected as a consequence of the ongoing economic crisis.

### Vulnerable groups cover a wide spectrum of population

Vulnerable groups in Montenegro are those that are at highest risk of poverty and social exclusion. Research and empirical evidence (Groves, 2006; European Commission, 2008; UNDP, 2009b) reveal that risk factors in Montenegro include:

- size of household (with three or more children);
- unemployment or inactivity;
- low educational attainment;
- ethnicity;
- internally displaced person status;
- disability;
- age (both older people and children).

A recent survey confirmed these findings, showing that in 2008–09 the most vulnerable groups of the Montenegrin population were RAE people, displaced people, individuals with disabilities, social welfare beneficiaries, pensioners and those in long-term unemployment (**TABLE 4.2**). The remainder of this chapter focuses mainly on the existing patterns of inclusion and exclusion among the first two of

<sup>20</sup> 'A process which ensures that those at risk of poverty and social exclusion gain the opportunities and resources necessary to participate fully in economic, social and cultural life and to enjoy a standard of living and well-being that is considered normal in the society in which they live. It ensures that they have greater increased participation in decision making which affects their lives and their access to their fundamental rights.' (Joint Report on Social Inclusion, 2004)

<sup>21</sup> Absolute poverty in Montenegro is calculated using World Bank methodology and is defined as total consumption below the cost of the minimum consumer basket for a standard household, and the level of economic vulnerability is set at 50% above the poverty line.

these groups in the fields of education and employment in Montenegro.

## 4.2 SOCIAL INCLUSION IN EDUCATION

### Extremely low educational attainment among RAE

Estimates of illiteracy rates among RAE people stand at 72–80% (UNDP, 2009b; European Commission, 2008), with a strong gender imbalance (74% for women, 26% for men), while the illiteracy rate for the Montenegrin population as a whole, according to 2003 census data, stands at 2.35% (Monstat, 2009b). Only 18–20% of RAE children complete primary education, 3.7% secondary education and 0.7% tertiary education (OSI, 2008).

### Limited access to education for children with disabilities

Despite the provisions of the Law on Education of Children with Special Needs, adopted in 2004, and the Strategy for Inclusive Education in Montenegro (2008), the access of children with disabilities to education in Montenegro is limited, especially as regards high-quality education in regular schools. Up to now the education for such children has been conducted predominantly in specialised educational institutions (five in total, see **TABLE 4.3**) or in specialised classes. The number of students with special education needs in the education system is estimated to be between 2% and 5%; a quarter of these children are considered to have completed only primary school (25.8%), and this considerably limits their future employability (European Commission, 2008).

The inclusive education system that has recently been introduced has faced implementation difficulties as a result of a lack of properly trained teachers, physical infrastructure barriers and social stigmatisation of children with special education needs. There has been good progress in improving the architectural accessibility of education institutions in Podgorica, where almost all primary schools, six secondary schools and two faculties of the University of Montenegro have been adapted for students who use wheelchairs (MoLSV, 2009a). In 2006/07 the total number of students with special education needs enrolled in regular pre-school, primary and secondary education in Montenegro was 2 415, while in 2007/08 this had increased to 3 416 (ETF, 2010), representing 2.9% of the school population. As illustrated by **FIGURE 4.1**, only 17% of students with special education needs who enrolled in regular primary education manage to continue to secondary level. Therefore the increase in the number of students with special education needs in secondary education – from 196 (MoES, 2009) to 368 in 2007/08 (ETF, 2010) – is a very important positive development. There are no data available on the percentage of children with special education needs who are included in regular vocational schools. Nine students with disabilities were enrolled at

the University of Montenegro in 2008/09, and in 2009/10 a further six were enrolled (MoLSW, 2010b).

### Low enrolment and highest dropout rates for RAE children

Despite all the measures undertaken in Montenegro within the Roma Education Initiative and the Roma Decade, estimates indicate that 60–70% of the RAE population aged 16–24 do not attend school (FOSI ROM, 2008; European Commission, 2008). As a result of the shortage of kindergarten places, access to pre-school education is limited for RAE children (only 14% of them attended kindergarten in 2008/09 (Government of Montenegro, 2010)); this stage is extremely important in terms of familiarising RAE children with the school environment and the Montenegrin language.

The enrolment rate of RAE students in primary education is also low, at 32.4% (OSI, 2008)<sup>22</sup>. Over the past three years there has been a positive trend of increasing numbers of Roma children in primary education by an annual rate of around 15–20%. Thus, in 2007/08, 1 263 RAE students attended primary schools, while the number in 2008/09 was 1 461 (Government of Montenegro, 2010). There is no information suggesting that RAE children are placed in segregated classes in mainstream schools, but there are Roma-majority schools in areas where the population has a high proportion of RAE people. For example, there are still segregated educational facilities in RAE refugee camps Konik I and II in Podgorica, where a branch unit of the local school operates exclusively for Roma children. However, the Ministry of Education and Science is devoting a great deal of effort to creating the necessary infrastructural conditions to enable the branch unit to be closed in due course. There has been little research conducted into whether Roma children are overrepresented in special schools for those with intellectual disabilities.

Primary education, often incomplete, is the highest level achieved by most RAE children who enter the education system in Montenegro. According to government data, only 29% of RAE children who were monitored enrolled in Grade 5 pass at the end of the year (FOSI ROM, 2008), while another recent government report (Government of Montenegro, 2010) reports that 35 RAE students (eight of whom were girls) enrolled in secondary schools in 2009/10. In 2009/10 there were eight RAE students (five of whom were women) in Montenegrin universities.

The most important reason for the low participation rate of RAE children in formal education, especially in the early stages, is the language barrier: internally displaced RAE children speak Romani or Albanian, and even domiciled RAE children lack a good command of Montenegrin language. Moreover, RAE people often lack identity documents and records for their children, and this causes problems with school enrolment. In addition, there is a lack of resources for education-related costs, and a lack of a learning culture and tradition, especially in relation to girls and women. In 2009/10

22 Secondary education coverage rates amongst RAE students are not available.

all RAE students in secondary education and higher education were provided with monthly scholarships (Government of Montenegro, 2010), the problem being that only 3.7% of Roma children progress to secondary education (OSI, 2008), while the rest remain outside formal education, or drop out much earlier.

### **Socioeconomic inequalities influence access to and participation in education**

Education-related expenditure that needs to be covered by families (including items such as textbooks, school supplies and meals) presents a major problem for children from poor, RAE, internally displaced and refugee families, and contributes to their leaving the system at an early stage. Only the poorest families, who are eligible for social welfare, receive assistance for school supplies and textbooks to support their children's participation in primary education. Regular students of public secondary education who attend schools outside their areas of residence are entitled to accommodation and meals in student dormitories, and are eligible to apply for scholarships for talented students, but there are no official figures on the numbers of students affected.

## **4.3 SOCIAL INCLUSION IN EMPLOYMENT**

### **Labour market inclusiveness needs improvement**

The low labour market participation rate and the high rate of long-term unemployment (see Section 3.1) demonstrate that the Montenegrin labour market is far from being inclusive. At 51%, income from work (wages, and revenues from self-employment or agriculture) is the most important source of income for poor people (UNDP, 2009b). Being out of (paid) work for a long time drastically reduces individuals' employability. The poverty rate among the unemployed population is around 16%, accounting for one-quarter of the poor (Monstat, 2009a). Labour market segregation has multiple and simultaneous dimensions, for example gender and age, regional, urban/rural, formal/informal.

Only some of those who are long-term unemployed register with the EAM; an unknown number of discouraged people have given up looking for a job. According to the EAM, 30% of those who are registered unemployed are considered as 'hard to place' people. ALMMs (see Section 3.2.2) are not reaching vulnerable groups to an adequate extent. There are several activation programmes specifically targeting vulnerable groups, including public works, subsidised employment and rehabilitation measures, but they have limited scope and their impact remains to be evaluated.

### **Incentives to foster the employment of people with disabilities deliver weak results**

In 2007 there were 2 740 unemployed people with disabilities registered with the EAM, representing 8% of the total number registered with this institution (European

Commission, 2008); in 2009 the number was 2 484 (MoLSW, 2010a). People with disabilities who register with the EAM undergo an assessment of their work ability and are offered the opportunity to participate in specific measures, including activities in protected workshops, practical training, and schemes that subsidise employers who hire individuals with disabilities. These ALMMs have not as yet been sufficient to integrate a significant number of (partially) employable people into training and/or employment. According to estimates, only 2% of people with disabilities are currently employed.

The acceptance of disability in Montenegrin workplaces is seriously limited by prejudice, the lack of accessible infrastructure and social services, and the fear of incurring additional costs. The Law on Professional Rehabilitation and Employment of People with Disabilities, adopted in 2008, aims to fight negative stereotypes and provides for subsidies, as well as for an obligatory quota scheme for the employment of people with disabilities. Employers who do not meet the quotas are required to pay a special monthly contribution for each person they do not hire, with the money being transferred to the Fund for Professional Rehabilitation and Employment of People with Disabilities, established in 2008. However, the impact of these measures has been below initial expectations (UNDP, 2009b; European Commission, 2009). Only 58 people with disabilities have been employed since 2008, yet an EAM survey indicated increased interest among employers in hiring such workers, provided they receive a subsidy (EAM, 2009a). These findings suggest that businesses in Montenegro are not fully aware of the incentives that have recently been introduced.

### **RAE and displaced people largely underrepresented in formal employment**

RAE people in Montenegro experience serious difficulties in finding employment, mainly as a result of their low levels of educational attainment and the negative social stereotypes. The unemployment rate for the RAE population remains around 80% (European Commission, 2009). Many of these individuals are involved in the informal economy. According to a recent survey (UNDP, 2009b), only 17% are engaged in any sort of gainful activity (including employment), with a significant evident gender gap: 84% of them are men. The main occupational fields for RAE workers are crafts (12%), repairs (37%) and public sanitation and waste management services (over 50%) (UNDP, 2009b). Not one single Roma individual has been employed in Montenegrin public services at the national or local level (Müller and Jovanovic, 2010).

Displaced people have no right to seek formal employment, which forces these individuals to accept unregistered jobs. Moreover, under current legislation displaced people are unable to start their own companies, since in practice they cannot meet all the requirements. While only 12% of RAE displaced people from Kosovo are employed, 80% of the non-RAE displaced people from Kosovo and 63.3% of the displaced people from Croatia and Bosnia and Herzegovina are employed (UNDP, 2009b).

## 4.4 REGIONAL COHESION

### Significant regional disparities in economic development and living standards

Montenegro is divided into 21 municipalities within three administrative regions: the Centre, with the capital Podgorica; the South, a mainly coastal region where tourism sector is concentrated; and the Northern, mountainous area. There are significant regional differences, with the North lagging behind in terms of economic development and labour market performance, while taking the lead in terms of the shadow economy: 45.6% of the informal economic activities of the country take place in the North, 30.6% in the South, and 23.8% in the Centre (ISSP, 2009). Not surprisingly, the poverty rate in the northern region in 2007 was 14.0%, while in the central region it was 6.3% and in the South it was 2.2%. The poverty rate in rural areas was more than twice that in urban areas (Monstat, 2009a).

### Depopulation and high levels of unemployment in the north

According to Monstat data, 41.7% of the Montenegrin population is resident in the central region of the country, 36.5% in the northern region, and the remaining 21.8% in the southern region. The 2003 census data indicate that the population in the least developed region – the North – has decreased (despite the fact that population growth rates are higher in the North than in the South of the country), while the population in the two other regions has increased. These results imply that the population has migrated towards the

more developed regions of Montenegro in search of employment and better living conditions.

The unemployment rate in the north is 27% (compared to 11.7% in the south). There are marked regional differences in the gender gap: female unemployment is extremely high in the north (36.1%), but it is relatively low in the south (9.7%), where more men are unemployed than women (LFS 2009, see also **TABLE 3.15**). The gender imbalance in relation to unemployment in the north is probably a result of the fact that most of Montenegro's Albanian communities live in that part of the country.

### Efforts to encourage regional development and cohesion

Being aware of the regional disparities and inequalities, the national authorities plan to adopt the Regional Development Strategy of Montenegro and the Law on Regional Development to promote the advancement of all areas and municipalities, with a special focus on and affirmative measures for those that are underdeveloped. Options for the valorisation of tourism potential in the northern region have been considered as part of the review of the Tourism Development Strategy until 2020. The network of educational and healthcare institutions will be optimised and upgraded to in order improve the quality of living conditions and development in rural regions (Government of Montenegro, 2009). A central measure of the government's current policy to improve living standards in the North is the construction of the Bar–Boljare highway, with the aim of connecting the poorer north with the more prosperous central and coastal areas.

## TABLES AND FIGURES

**TABLE 4.1 NON-MONETARY POVERTY INDICATORS, 2006**

%	Poor	Non-poor	Total
<b>Less than 10m<sup>2</sup> per person in a dwelling</b>	36.0	9.4	12.4
<b>More than two people per room</b>	57.2	24.8	28.5
<b>No telephone (fixed)</b>	53.3	20.1	23.8
<b>No indoor bathroom</b>	18.6	6.3	7.7
<b>No connection to sewerage system</b>	18.4	5.3	6.8
<b>No running water</b>	7.3	2.8	3.3
<b>No refrigerator</b>	3.8	0.2	0.7
<b>No washing machine</b>	42.5	11.4	14.9
<b>More than 5km to physicians</b>	20.2	11.6	12.6
<b>More than 10km to hospital</b>	44.2	27.1	29.0
<b>More than 5km to a primary school</b>	9.3	5.8	6.2
<b>More than 10km to a secondary school</b>	22.9	15.2	16.1

Source: *The Poverty Analysis in Montenegro (2007)*.

**TABLE 4.2 POVERTY AND SOCIAL EXCLUSION RATES AMONG THE MOST VULNERABLE GROUPS**

<b>Vulnerable group</b>	<b>Poverty rate (%)</b>	<b>Social Exclusion Index (%)</b>
<b>Social welfare beneficiaries</b>	30.0	11.9
<b>Long-term unemployed</b>	12.3	10.0
<b>Pensioners with minimum income</b>	15.7	8.9
<b>People with disabilities</b>	11.0	9.5
<b>Roma, Ashkalia and Egyptians</b>	36.0	14.1
<b>Displaced people</b>	34.0	8.3

*Note: The Social Exclusion Index is a non-weighted index showing the percentage of households facing the following limitations: (i) low income (in poverty) – households with equivalent income below the poverty threshold (60% of median equivalent household income); (ii) indebtedness – households facing problems servicing their obligations, that is unpaid utility bills, loan instalments or other outstanding debt; and (iii) inadequate access to health care services – households that stated 'distance from doctor/hospital' as a problem in accessing health care services.*

*Source: UNDP, National Human Development Report (2009).*

**TABLE 4.3 SPECIAL EDUCATION INSTITUTIONS**

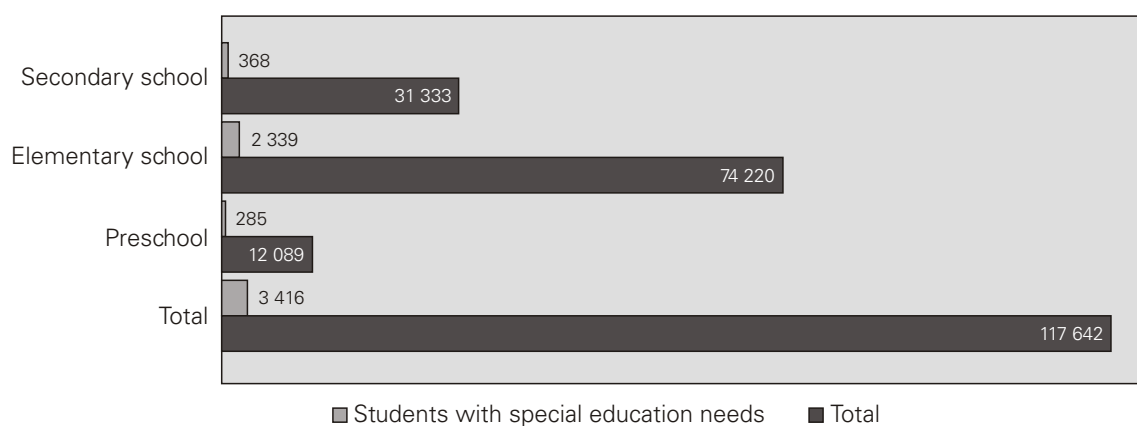
<b>Institution</b>	<b>Number of students in 2007</b>
<b>Institute for Education and Rehabilitation of Persons with Hearing and Speech Impairments, Kotor</b>	162
<b>Centre for Education and Vocational Training 'June 1' (mild intellectual disability and children with autism), Podgorica</b>	136
<b>Centre for Children and Young People with Behavioural Problems and Juvenile Delinquency 'Ljubovic'</b>	14
<b>Institute for Education and Professional Rehabilitation of Disabled Children and Young People (physically disabled, blind and partially sighted children), Podgorica</b>	99
<b>Special Institute for Children and Youth 'Komanski most' (moderate, severe and most severe learning difficulties), Podgorica</b>	32
<b>Total</b>	<b>443</b>

*Source: State in the Field of Education of Children with Special Needs, 2007.*

TABLE 4.4 SELECTED LAEKEN INDICATORS

Definition	Indicator		Montenegro	EU-27	EU-25	EU-15	Croatia
Threshold value	At-risk-of-poverty rate + illustrative threshold value (€)		162.0	n.a.	697.33	n.a.	n.a.
Proportion of individuals aged 0+ with an equivalised disposable income below 60% of the national median equivalised disposable income	At-risk-of-poverty rate (%)		24.3	16	16	17	17.4
Difference between the median equivalised income of individuals aged 0+ below the at-risk-of-poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of poverty threshold	Relative median poverty risk gap (%)		48.3	22.0	22.0	22.0	n.a.
Ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (lowest quintile)	S80/S20		18.8	4.8	4.9	4.8	4.3
Proportion of individuals aged 18–24 who only have lower secondary education (their highest level of education or training attained is 0, 1 or 2 according to the 1997 International Standard Classification of Education – ISCED 97) and have not received education or training in the four weeks preceding the survey	Early school leavers	Male (%)	15.5	17.2	17.1	19.2	n.a.
		Female (%)	9.2	13.2	12.8	14.5	n.a.
Proportion of people living in jobless households, expressed as a share of all people in the same age group	People living in jobless households (%)		26.4	9.4	9.3	9.2	8.4

Source: UNDP, National Human Development Report (2009).

**FIGURE 4.1 STUDENTS WITH SPECIAL EDUCATION NEEDS ENROLLED IN REGULAR SCHOOLS, 2007/08**

Source: ETF, *Mapping Policies and Practices for the Preparation of Teachers for Inclusive Education in Contexts of Social and Cultural Diversity – Montenegro Country Report, 2010*.







# 5. MAIN DONOR INTERVENTIONS IN HUMAN RESOURCES DEVELOPMENT

EU support for human resources development in Montenegro has amounted to approximately €9.65 million and has been targeted at school-based VET reform and support for labour market reform with commitments to support the development of an NQF. Tempus support has addressed the introduction of Bologna principles in higher education and quality assurance in university education.

## 5.1 EMPLOYMENT

A 2006 CARDS programme (€1.2 million) aimed to align policy and governance of the labour and public employment administration service with the wider socioeconomic policy framework. Key outcomes of the programme include a human resources development strategy – Montenegro 2017, and a Strategy for Lifelong Entrepreneurial Learning 2008–13 with an Action Plan 2010–10 adopted by the government.

An IPA 2008 project (€1.8 million) was launched in February 2010 to support institution and capacity building for developing ALMMs (especially community-based partnerships) and a framework for a lifelong career guidance and counselling service in Montenegro. The project is expected to facilitate the establishment of a National Employment and HRD Committee (to be supported by a policy information system available on-line), to develop a national policy framework conducive to local employment initiatives, as well as a national career guidance strategy.

## 5.2 EDUCATION AND TRAINING

The CARDS 2004 VET programme (€2 million) supported curriculum modernisation, teacher training, and training infrastructure in selected sectors, and identified options for the development of vocational qualifications that resulted in national legislation passed by the Parliament in 2008 (Law on National Vocational Qualifications), a Strategy for Establishment of the National Qualification Framework in Montenegro 2008–10 developed and adopted by the government in 2008.

IPA 2007 funds (€1.55 million) have been committed to follow through on this initial work. The project, whose implementation started in September 2009, is expected to result in an agreed vision and framework for the NQF to conform to the eight-level principles of the European Qualifications Framework; application of the European

Credits for vocational education and training; enhanced capacity building and management information system for quality assurance in higher education operational.

## 5.3 HIGHER EDUCATION

Montenegro has actively participated in the EU's Tempus programme since 2001, with particular emphasis being given to development of the ECTS, quality assurance and university management. This effort (supported by €3.1 million) has ensured that Montenegro participates fully in the Bologna process and is actively committed to the EU's 2010 objective of establishing a European Higher Education Area.

## 5.4 OTHER DONOR ACTIVITIES AND PROJECTS

- USAID, with the ILO, has provided technical assistance to the Ministry of Labour and Social Welfare to develop employment legislation in order to introduce more labour market flexibility.
- From 2005 the World Bank credit line (USD 5 million) has supported the education authorities in the development of teaching and learning in schools and in the efficient use of budgetary resources.
- A Lux Development project (€4.1 million) aims to strengthen VET in north-east Montenegro by supporting the development of occupational profiles, curricula in agriculture and tourism, and training materials. It aims to enhance the training environment and the quality of teaching, the involvement of social partners, and entrepreneurship in the two sectors.
- An Austrian Development Cooperation project supports capacity building and reform of higher education (through WUS Austria).
- German, Austrian and UK authorities support a number of small institution-building projects to enable workforce development in the tourism and construction sectors, including the development of occupational standards and training programmes for trainers.
- Government of Finland, OECD, UNICEF, Save the Children and Montenegrin Ministry of Education and Science support a project on inclusive education for children with special needs.
- Smaller donor-supported projects address issues of employment and social inclusion of RAE people and those with special needs, and localised training and employment development.

## 5.5 ETF INITIATIVES

Targeted ETF support measures for the human resources development sector place particular emphasis on key

competences, improved teaching methods, and entrepreneurial and adult learning, all of which are driven by EU policy. This complements general support services to stakeholders on EU programming (dialogue, design and monitoring).

## 6. MEDIUM-TERM CHALLENGES AND OBJECTIVES (FIVE-YEAR PERSPECTIVE)

### 6.1 MAIN CHALLENGES

Over the past two decades Montenegro has been involved in a series of difficult and demanding parallel transitions – political, economic, demographic and institutional. These have been taking place simultaneously, overlapping not only in time but also in terms of the scale of the tasks compared with the country's limited resources and capacities. Moreover, the transformations of Montenegrin society have been occurring in a sensitive multiethnic and multicultural environment, which adds further complexity and intricacy to the context. Although the results accomplished so far are impressive, much more remains to be done in order to achieve the overarching goal of EU accession for the country.

The major challenges for human resources development in Montenegro, which are presented below, were identified following an analysis of the relevant policies and practices in the field in relation to the EU medium- and long-term objectives as set out in the latest EU strategic documents and papers (Renewed Lisbon Strategy for Growth and Jobs, New skills for New Jobs, Education and training 2020, Europe 2020).

#### 6.1.1 COORDINATION AND LINKAGES BETWEEN THE ECONOMY AND EDUCATION

With Montenegro approaching the completion of its transition to a market-oriented and service-driven economy, it needs to set new economic objectives in relation to the EU 2020 ambitions for achieving smart, sustainable and inclusive growth. There is a clear need for the country, particularly in the current situation of economic deceleration and recession, to shift from the previous growth model based on drivers of an external or extensive nature (high inflow of FDI) to a new growth pattern relying on 'home-grown' determinants, such as innovation, productivity and knowledge intensity. While human capital, as shaped by the education and training system, can play an essential part in the process, translating current and future economic needs into demands that can be addressed by the education and training supply will be a prerequisite. The dialogue and coordination between education and the economy in Montenegro that can trigger competitiveness and prosperity is still not in place; where it does occur it is conducted on an ad hoc basis rather than on the basis of more structured and systematic patterns. Within this area, the following challenges need to be addressed.

#### Unsatisfactory labour market outcomes of VET and higher education

Initial vocational education and higher education provision remains inadequate in relation to labour market requirements, exacerbating existing structural mismatches between the supply and demand of labour. Deficiencies in enrolment policy account for a major part of the problem, but the content and delivery of curricula are also in need of improvement. Most programmes are still theory-based and do not provide relevant practical skills. The involvement of the social partners in the design and implementation of higher education and VET policies and programmes needs to be improved, the issue often being the lack of appropriate knowledge and skills on the part of the social partners to enable them to fulfil their role. Key competences and soft skills are not sufficiently or systematically included in secondary (general and vocational) education curricula, and this hampers the adaptability and flexibility of the labour force at a later stage, that is, in terms of the ability of employees to move relatively easily across sectors and occupations in a rapidly changing labour market.

Vocational training for adults suffers from the same shortcomings and disadvantages as those affecting formal vocational education. It is mainly supply-driven, and does not adequately serve the needs of businesses; nor does it cater sufficiently for the needs of unemployed people, especially low-skilled workers and long-term unemployed individuals. Moreover, as mentioned in many studies (ILO, 2007), there are no indicators in place to monitor and measure the achievement of training objectives and outcomes in training provision for adults. Monitoring is based purely on administrative requirements, on inputs but not outcomes. The visibility of adult training needs to be improved, as do its quality and efficiency.

Montenegro needs a more developed training market in which both public and private sector training providers respond to increasing demands from enterprises for training and advisory services to facilitate their recovery from the economic crisis and to contribute to the country's growth and enhanced competitiveness. The extension of training to those already employed within enterprises will require further promotion and further investment. It will also require a more concerted policy dialogue between enterprise representatives and those responsible for training, employment and economic policies, in order to determine options for providing access to affordable training to staff of existing enterprises.

### **Lack of mechanisms for monitoring and anticipating skill needs**

Montenegro's open, and to a great extent globalised, economy makes skill requirements more volatile and unpredictable over time. In the context of rapid economic change and the (post-)crisis situation, there are problems with forecasting labour market and qualification needs and establishing appropriate links between the occupational system and the education system. Consequently, the country needs more sophisticated and dynamic tools for forecasting its medium- and long-term skill needs, and this information can then be taken forward and used in the policy-making process to help inform VET provision. The forecasting mechanisms need to focus specifically on those skills that can act as drivers of economic acceleration and engines for growth. There is also a need in Montenegro to set up mechanisms and procedures for 'nowcasting' short-term skill needs, in close cooperation with enterprises and training providers. This will involve the regular collection of data and analysis of skills gaps and shortages in the labour market. Although essential, dialogue with social partners is not on its own sufficient.

### **Labour market rigidities**

Labour supply is determined not only by the output of the education system, but also by the ability of the labour market to adjust in the context of transition. The most relevant factors are wage flexibility (wage-setting mechanisms, non-wage labour costs), the tax and benefit system, forms and flexibility of employment contracts (labour law), internal and international mobility (migration flows), and the role of the informal economy. Labour demand, which is determined by a set of internal and external factors, also requires a complex set of policy approaches. It is important to strengthen the capacities for human resource management within enterprises, to increase the active participation of employers in workplace-related training, and to promote socially responsible forms of industrial restructuring. Only a well-coordinated and coherent policy approach in which the social partners and local stakeholders take an active role will lead to tangible results.

In order to overcome existing labour market rigidities it is necessary to develop policies and measures towards feasible and effective flexicurity pathways with a view to avoiding labour market segmentation and labour market exclusion, improving the targeting and impact of activation measures, increasing the efficiency and effectiveness of the placement and matching system, and providing well-targeted social security.

## **6.1.2 INTERNAL QUALITY AND EFFICIENCY OF EDUCATION AND TRAINING**

In spite of the reforms carried out so far, the education and training system faces internal challenges that need to be tackled in order to provide better and more targeted outputs to support the development of Montenegro's human capital.

### **Low level of pre-school education coverage and the critical transition from primary to secondary education**

Pre-school education significantly improves the participation in education and educational attainment of all children, and is especially helpful for those from vulnerable backgrounds. In addition, the wider availability of pre-school education helps women to reconcile family with professional life, and thus it also has a positive impact on female activity and employment rates.

Primary education appears to be the end of schooling for disadvantaged children, most of whom do not continue into secondary (general and vocational) or tertiary education. This is also the first point at which a significant number of students drop out of school in all school-age cohorts. The transition from primary to secondary education is a critical passage in the Montenegrin education system, leading to both early school leaving and the exclusion of vulnerable children from further progression. The reasons behind this situation and the remedies to address it need further analysis and reflection.

The need to properly address the issue of early school leaving becomes even greater in the light of the unfolding demographic challenges faced by Montenegro, which are linked to shrinking school-age and working-age cohorts. The country cannot afford the loss of a skilled labour force. Therefore, the national authorities need to set up a system for gathering and analysing data on school dropouts and, based on this, to design evidence-based policy measures aimed at increasing enrolment and participation rates in primary and secondary education.

### **Outdated understanding of teachers' role**

Teachers are the key determinants of the quality of education. As a result of the ongoing reforms in the system and in Montenegrin society as a whole, the prestige of the profession has declined, the workload has increased and the working environment has deteriorated. The role of teachers as transmitters of knowledge is no longer sufficient: they also need to become facilitators of the learning process, though this is not yet happening in Montenegro. Both the curriculum and the overall organisation of pre-service teacher training are in need of modernisation. Measures aimed at upgrading teacher educators, their skills and their teaching methods, are almost non-existent. This is an important field that up to now has been neglected in almost all reform designs, but that has a substantial impact on the quality and outcomes of initial teacher preparation. Some progress has been made in relation to continuing teacher training in Montenegro, although it is still designed using a top-down approach and remains at the stage of focusing on individuals rather than on school teams (Nielsen, 2007).

### **Unsatisfactory implementation of lifelong learning principles, underdeveloped adult learning**

Lifelong learning concepts in Montenegro have been used largely as rhetorical ornaments of the reforms. Further

efforts are needed to turn them into substantive drivers of the changes, namely to successfully implement the existing legal provisions for greater openness towards non-formal and informal learning, for recognition of learning outcomes, and for improved transitions between the various education and training sectors. More resources and effort will be needed to develop a comprehensive and systematic policy approach to guidance that covers the whole spectrum of education and labour market systems.

Adult learning in Montenegro currently plays a corrective or remedial function, offering a 'second chance' to adults to catch up with what they have missed in their formal education – literacy, key competences (ICT, foreign languages), initial vocational training or retraining for low-skilled jobs. Apart from in these areas, adult lifelong and life-wide learning is not promoted, nor are special incentives offered to providers or to learners. While adult learning shares many common features with learning in formal education, it has a number of specificities: it is much more self-paced and learner-centred, builds on prior experience and needs flexible entrance and exit routes at various points of the learning process. However, none of these specific features are routinely implemented in Montenegro (ILO, 2007).

### 6.1.3 SOCIAL EQUITY

Building an inclusive society in a transition and post-crisis context is a huge challenge, but one that needs to be addressed if deepening social inequalities, poverty and social exclusion are not to erode the progress achieved in all other sectors. The pressing issues for Montenegro in this area are:

- the worrying educational participation rates for RAE children and those with disabilities;
- the fact that RAE individuals, displaced people and people with disabilities who have no real opportunities to gain decent employment are engaged in poor-quality, low-paid jobs, mainly in the informal economy;
- the high levels of poverty, unemployment and economic underdevelopment in the northern region;
- the upward trend in the poverty rate as a result of the economic crisis, and the risk that large sections of the population who are economically vulnerable will fall below the absolute poverty line.

### 6.1.4 DELIVERY OF POLICIES

Intensive reforms of the education, employment and social protection systems have been undertaken in Montenegro over the past two decades. During this period the country has radically changed its legislation in these areas, set up new institutions (mainly at national level), and started to develop sector policies through the drafting and adoption of various strategies and policy papers. However, effective implementation of the new legislation and strategies remains a challenge, and needs to be the focus of special attention.

## 6.2 MAIN OBJECTIVES AS DEFINED IN NATIONAL POLICY PAPERS

Montenegro has developed a raft of strategic documents in the field of human resources development, covering areas including education, employment, Roma people, older people, children and individuals with disabilities (a reference list is provided in the annex to this chapter). While this situation highlights the willingness of the national authorities to develop long-term visions within which to embed their everyday efforts, it also creates redundancy and fragmentation of policy interventions. These documents often contain overlapping goals with generally formulated objectives and few clear indicators. Furthermore, most of the strategies lack clear budgetary implications, and give too little attention to effective monitoring and implementation.

### 6.2.1 EDUCATION

The main strategies in the education and training field in Montenegro are:

- Strategic Plan for Educational Reform 2005–09;
- Strategy for Adult Education 2005–15;
- Strategy for Establishment of the National Qualification Framework in Montenegro 2008–10;
- the newly adopted Vocational Education Development Strategy 2010–14.

The objectives set out in these documents are primarily of a qualitative nature and are aligned with EU developments and standards. The current reforms being implemented by the Ministry of Education and Science, as outlined in the national planning documents, have the following aims.

- Education financing is to be decentralised, which will involve municipal budgets and the introduction of per student funding by 2014.
- Staff and non-staff spending will be restructured in the current funding mechanisms for primary and secondary education, and there will be a shift from lump-sum to line-item financing of public higher education institutions. The World Bank Education Reform Project (World Bank, 2005) envisaged a restructuring of the general education budget leading to an increase in non-salary expenditure from 5% to 17% between 2005 and 2008, but no data about its implementation is yet available.
- The school ICT infrastructure will be upgraded, the objective being a student–computer ratio of 8:1 by 2013.
- An information system is to be established within the ministry to collect, process and analyse statistical data on education.
- Regional strategies on the development of vocational education are to be formulated.
- The VET curricula will be modularised by 2011/12.
- In the medium-term, local communities will be given the opportunity to determine up to 20% of the curricula content, and schools to plan 5–10% of the teaching content for each subject.

- A system of credit valuation of curricula will be introduced by 2011/12.
- An NQF is to be developed and introduced by 2015.
- Post-secondary vocational education will be introduced.

## 6.2.2 EMPLOYMENT

The policy framework in the employment field consists of the National Strategy for Employment and Human Resources Development 2007–11 (Government of Montenegro, 2006, updated 2008), and the operational-level documents – the National Action Plan for Employment 2008–09 and the Strategy for Integration of Persons with Disabilities into Society, Professional Rehabilitation and Employment of Persons with Disabilities 2008–16. Against this backdrop the EAM has adopted the National Employment Strategy (NES) for the period 2007–10 (EAM, 2007), which is oriented rather more towards activities than results.

The Ministry of Labour and Social Welfare recently adopted the National Action Plan for Employment for the period 2010–11, which confirms the ambitious objectives in relation to the labour market.

The NES<sup>23</sup> has three main objectives:

1. to raise productivity;
2. to improve the match between education and employment;
3. to enhance social cohesion (including regional cohesion and the development of the north).

Three priorities have been defined:

1. to increase employment and combat unemployment;
2. to increase productivity and the quality of work;
3. to strengthen social cohesion.

According to the NES, the following goals should be achieved by 2011:

- an overall employment rate of at least 60% (currently 48.8%, according to LFS 2009);
- a female employment rate of at least 50% (currently 41.6%, according to LFS 2009);
- an employment rate for older workers (55–64 years) of at least 32% (already 35.6%, according to LFS 2009);
- an unemployment rate below 10%;
- the offer of a new start (activation measures) for every young unemployed person before they have been without work for six months, and for adults before they have been unemployed for 12 months;
- the inclusion of at least 50% of those in long-term unemployment in active measures (combined with ongoing job-search assistance).

These goals, which were already highly ambitious in 2007, are far from being feasible now in view of the less

favourable labour market conditions in 2009. They are, however, in line with the indicators of the European Employment Strategy<sup>24</sup>.

Based on the NES, the National Action Plan for Employment 2010–11 (adopted in December 2009) defined 12 objectives and a total of 59 measures.

## 6.2.3 SOCIAL INCLUSION

The Strategy on Poverty Alleviation and Social Inclusion in Montenegro (2008–12), which is a revised version of the Development and Poverty Reduction Strategy (2004–06), is the framework policy document in the area of social inclusion. The Strategy defines the national priorities – decreasing the rate of economic vulnerability among the population and ensuring social stability – as an integral part of the country's overall development strategy and reform efforts. The implementation of the Strategy is monitored on an annual basis, and progress is reported through the publication of annual reports.

The leading principle of the Strategy for Inclusive Education in Montenegro is the availability of quality and accessible education for all children with special education needs in accordance with their interests and capabilities.

The aims of the strategy are:

1. to harmonise legislation with relevant international acts and documentation;
2. to systematically support the professional development of staff;
3. to provide support for the customisation of curricula;
4. to set up support networks and databases for students with special education needs at local, regional and central levels;
5. to establish quality assurance mechanisms;
6. to promote positive attitudes toward inclusive education.

The main objective of the Strategy for Improvement of the Position of the RAE Population in Montenegro (2008–12) is to create conditions in Montenegro to enable RAE people to enjoy – both individually and collectively – their fundamental human and minority rights, that is, to improve their overall social, cultural and economic position, and to empower them, while eliminating or reducing to the lowest possible level all forms of discrimination and inequality.

The Strategy for the Integration of People with Disabilities in Montenegro (2008–16) aims to ensure the full and active participation of this disadvantaged group in mainstream society, particularly with regard to employment, education, culture and citizenship, by eliminating discrimination and removing social, psychological and physical barriers. Two annual reports for its implementation, in 2008 and 2009, have been produced, and an Action Plan for 2010–11 has been recently adopted.

<sup>23</sup> Developed with technical assistance of the CARDS project 06MON 10 08 001.

<sup>24</sup> Employment Guidelines (2008), indicators for monitoring and analysis, endorsed by EMCO 24 June 2009.



### 6.3 IMPLICATIONS FOR INSTITUTIONAL CAPACITIES AND CAPACITY DEVELOPMENT

In general, the objectives and quantitative goals identified in the national policy framework for human resources development in Montenegro are very high. There is a large discrepancy between these goals and objectives and the resources available in terms of budget and staffing levels, organisational capacities and existing delivery systems.

The main challenges for capacity development in the medium term are as follows:

- to strengthen the capacity of line ministries to coordinate strategy development and monitor compliance;
- to establish regular policy dialogue and coherent policy development and implementation at horizontal (inter-ministerial) level;
- to establish a policy-management system with clearly defined and shared responsibilities and accountability

of actors at national and local level, involving the social partners and regional authorities at vertical (national and regional) levels;

- to develop a clear vision and mission for the EAM, focusing service delivery on the core tasks of a public employment service (such as placing jobseekers in gainful jobs), and increasing overall delivery capacities by outsourcing other services to specialist providers;
- to enhance the capacity of social partners to engage more effectively in policy formulation, monitoring and appraisal of education and employment policy;
- to improve monitoring systems and develop a practice of independent evaluation of policies and programmes.

The continuous improvement and reform of labour market and education institutions has become an accepted practice in most countries. As is the case elsewhere, capacity development in Montenegro will take a longer period of time. The early involvement and participation of Montenegrin decision-makers in European platforms and networks (such as the instruments of the Open Method of Coordination) will provide an opportunity to enhance the capacity-building process.

### **NATIONAL POLICY PAPERS, STRATEGIES AND PLANNING DOCUMENTS IN THE FIELD OF HUMAN RESOURCES DEVELOPMENT**

1. Adult Education Plan 2006–10
2. Action Plan for the Strategy for Integration of People with Disabilities in Montenegro 2010–11
3. Action Plan for Integration of Sustainable Development into the Education System 2007–09
4. Book of Changes (2001)
5. Development of Education in Montenegro (2004)
6. Human Resources Development – Montenegro 2017
7. Information Society Development Strategy (2006)
8. Montenegrin National Sustainable Development Strategy (2006)
9. Montenegrin Vocational Education Development Strategy 2010–14
10. Montenegrin Tourism Development Strategy by 2020
11. National Action Plan for Children 2004–10
12. National Action Plan for the Decade of Roma Inclusion 2005–15
13. National Employment Action Plan 2010–11
14. National Programme for European Integration 2008–12
15. National Strategy on Employment and Human Resources Development for the Period 2007–11
16. Poverty Alleviation and Social Inclusion Strategy 2007–11
17. Strategic Plan for Educational Reform 2003–04
18. Strategic Plan for Educational Reform 2005–09
19. Strategy of Lifelong Entrepreneurial Learning (2008)
20. Strategy for Adult Education 2005–15
21. Strategy for Civic Education in Primary and Secondary Schools 2007–10
22. Strategy for Development of Social and Child Welfare in Montenegro 2008–12
23. Strategy for Development of Social Welfare for the Elderly in Montenegro 2008–12
24. Strategy for Development of Human Resources in Tourism in Montenegro (2007)
25. Strategy for Establishment of the National Qualification Framework in Montenegro 2008–10
26. Strategy for Improving the Situation of RAE Population in Montenegro 2008–12
27. Strategy for Inclusive Education in Montenegro (2008)
28. Strategy for Integration of Persons with Disabilities in Montenegro 2008–16
29. Strategy for Introducing ICT into Educational System up to University Level (2005)
30. Strategy for Introduction of the Montenegrin Qualification Framework 2008–13



# 7. STRATEGIC PRIORITIES AND RECOMMENDATIONS

The above analysis has clearly shown that an effective strategy aimed at enhancing human resources development in Montenegro needs to take a multi-dimensional, long-term approach when addressing the challenges identified. However, in the context of Montenegro's EU accession and the continuing uncertain global economic climate, the country will be unable to tackle them all. The current report suggests that over the next four to five years policymakers in Montenegro should give particular attention to the key priorities outlined in the following sections.

## 7.1 EDUCATION AND TRAINING IN A LIFELONG LEARNING PERSPECTIVE

### 7.1.1 FROM PILOT PROJECTS TO NATIONAL POLICY, AND FROM POLICY DESIGN TO POLICY IMPLEMENTATION

The education and VET reforms in Montenegro have been strongly influenced by foreign donor interventions. Many policy papers and action plans have been developed through external programmes and delivered with the support of foreign technical assistance. This has been beneficial, because the country has been exposed to a whole range of modern concepts and good practice. However, it has also led to systemic fragmentation and insufficient national ownership and sustainability. As is the case in other countries, Montenegro needs to find national solutions in a European context, but the real efforts must be made at home through the country's own national priority setting process and policy decisions. Policymakers and practitioners at all levels must therefore develop the capacity to become 'policy interpreters', since there are a variety of models, measures and practices available for achieving the same goal. Over the coming years Montenegro will need further support to build capacity to 'shape' its own policies and, most importantly, to overcome the barriers to implementation.

In order to achieve coherent and consistent systemic reform, Montenegro needs to accomplish enhanced delivery of education and training policies. Traditional top-down or bottom-up strategies are insufficient to make reforms work: continuous interaction and dialogue between partners at national and local level is needed. A lesson that has been learned elsewhere is that macro-level reforms tend to fail if interventions are not rooted in the reality of the micro level. There is a risk that results will not be achieved and will not be sustainable if schools are not given the role of being drivers for change,

and if their capacities to formulate and implement policies are not strengthened.

Vocational schools should be stimulated to serve their local communities and labour markets as regional competence centres, in addition to their main role of providing formal, national VET programmes. A new case study on the Mixed Secondary School 'Beco Basic' in Plav illustrates that making strategic use of the increased autonomy given to schools is currently an untapped resource (see Oldroyd and Nielsen, 2010). The Ministry of Education and Science could capitalise on building incentives to encourage schools to nurture a culture of local innovation, and schools should be more involved in national policy making. The VET system should also make better use of pilot school staff who are already well trained, by organising horizontal learning in school networks in which schools learn from each other.

### Recommendations

- Support the development of institutional capacity within the Ministry of Education and Science to manage VET reform and to take forward results from VET reform projects and new activities in a sustainable, ongoing and inclusive process of social dialogue and effective consultation.
- Discuss with key stakeholders how increased school autonomy can lead to innovations from below and how the national VET system can develop a policy-learning capacity through which key actors together develop the ability to learn from past experience; to learn appropriately from other countries; and, perhaps most importantly, to learn from local innovation.
- Launch a national programme for strengthening vocational school leadership, since this is the strategic lever for developing dynamic and innovative vocational schools that can become key platforms for ongoing VET reform, with strong enterprise links mediated by the social partners.

### 7.1.2 PROMOTING KEY COMPETENCES IN PRIMARY AND SECONDARY EDUCATION AND IN ADULT TRAINING

In view of Montenegro's rapid transformation from an industrial to a service-based economy, and given the post-crisis difficulties in forecasting specific skill needs, it is important to concentrate on developing broader skills that will support flexibility and the transferability of competences and ensure better employability of VET graduates. Educational profiles that focus on narrow skills should be avoided and skills based on modern key

competences that can be used in different economic sectors should be developed. A new strategy for key competences and soft skills must start in primary education and continue in secondary education, and encompass adult learning. Teaching for key competences requires further systemic modernisation of curricula in primary education and in VET. This relates not only to educational content, but also to the way such content is delivered, and hence, developing key competences is first and foremost a question of how to organise the learning process in schools.

### Recommendations

- Revise curricula for primary and secondary education by reducing the overcrowded subject contents and creating more space for developing problem-solving skills, collaborative learning, ICT and learning-to-learn skills.
- Create a national programme of continuing professional development for primary and secondary school teachers, with a key focus on developing broader pedagogical teaching skills for organising learning based on student-activating methods and personal-learning methods.

### 7.1.3 IMPROVING POLICIES AND PRACTICES FOR TEACHER TRAINING WITH A SPECIAL FOCUS ON PRE-SERVICE TEACHER EDUCATION

Teachers are key for ensuring quality in education. It is notable that in Montenegro there is no dedicated pedagogical education that leads to a teaching career in vocational schools. Teachers who have acquired professional skills from faculties that do not offer teacher-training programmes can start teaching in schools without having had any pedagogical training; instead they receive mentoring support from colleagues. Teachers today need to be much more than transmitters of knowledge: they also formulate some of the messages themselves, and they must have a good grasp of understanding of how young people learn. It is therefore necessary for individuals to gain a solid pedagogical qualification before they take up a teaching post. With continuing education reform it is vital that teaching staff in Montenegro have up-to-date competences and that they master a broader repertoire of teaching methodologies than they currently possess.

### Recommendations

- Build up a pre-service education programme for would-be vocational teachers, with a focus on pedagogic, didactic and psychological competences as requirements for access to the profession. VET pre-service education should preferably be organised as a consecutive model either corresponding to the duration of 36 ECTS points, six of which should take the form of teaching practice, or at Master's level. It is important that such education is developed through consultation and dialogue with school leaders and the teaching union.

- A prerequisite for the provision of relevant and quality teacher education is a competence-development strategy for VET educators in universities. Montenegro should concentrate on strengthening the qualifications of teacher educators, preferably as part of a Tempus project with European universities.

### 7.1.4 IMPROVING ACCESS TO TERTIARY EDUCATION, AND DEVELOPING POST-SECONDARY AND HIGHER VOCATIONAL EDUCATION

The attractiveness of VET very much depends on its integration in a comprehensive and coherent education system with not too many 'dead ends' in terms of pathways and options. It has been documented in previous sections that transition in the education system in Montenegro is hampered by serious barriers in the move from primary to secondary school, barriers that are often based on the socioeconomic backgrounds of students. The move from secondary to tertiary education is another barrier. Access to higher education for students following VET graduation is important for reasons of parity of esteem. The Montenegrin economy needs a wealth of new competences that more closely match new job functions, typically at post-secondary and tertiary level. The lack of post-secondary (non-tertiary) education in Montenegro is a gap that needs to be filled soon. There is a space for creating new profiles that are relevant to the labour market and the economic development of the country at all qualification levels. Such programmes must be developed in close cooperation with employers in order to produce qualified and relevant skills.

### Recommendations

- Check the education system as a whole for consistency with a view to identifying and bridging existing gaps for horizontal and vertical permeability.
- Test new tertiary pilot programmes that build on VET graduation in growth sectors (such as tourism and construction) by involving employers' organisations and trade unions in the design and delivery of higher, non-academic courses.
- Develop post-secondary VET to cater for existing medium-skill labour shortages. Keep post-secondary vocational institutions outside the higher education system in order to maintain their solid vocational character and their standards of delivery, while acting as a bridge between secondary VET and higher education.

### 7.1.5 DEVELOPING ADULT TRAINING, PARTICULARLY ENTERPRISE-BASED LEARNING

Against the backdrop of radical economic transformations in Montenegro involving vast sector changes and demands for new skills in the context of severely reduced access to continuing vocational training, there is a great need for new approaches to the re-skilling and up-skilling of the workforce. The inability of

the relatively high-cost economies of the advanced capitalist nations to compete with much lower-cost economies elsewhere has resulted in an increased emphasis on the development of human capital as a means of competitive advantage. With the emphasis on human capital theory, education and training policy is raised to the level of economic policy, as investment in skills through education is seen as the key to competitiveness in a globalised market. This investment in skills may suggest that an expansion of public education is needed, but at the same time budget constraints in Montenegro impose limits on further investments. This calls for a lifelong learning policy that is more sharply focused, and at the same time a higher level of investment by companies in their own human resources development.

### Recommendations

- Support broader employee participation in adult learning and in vocational training, in particular through a set of policy measures aimed at enhancing learners' motivation (such as quality training offers, income tax concessions, etc.) and at creating a conducive environment (for example, training leave, linking training with career progression, etc.).
- Encourage companies to invest in staff training by means of awareness-raising campaigns and public-private partnerships (public investment to cover the fast and efficient translation of skill needs into dedicated training courses of varying durations, tailor-made and often delivered within companies).

## 7.2 TOWARDS A WELL-FUNCTIONING AND INCLUSIVE LABOUR MARKET

### 7.2.1 COORDINATING POLICY ACTION TO IMPROVE THE MATCHING OF SUPPLY AND DEMAND

Improving the matching of the education system output to the skill demand of the labour market is one of the three main objectives of the National Strategy for Employment and Human Resources Development 2007–11. The mismatch between supply and demand in the labour market came to the fore with the restructuring and privatisation of businesses and the shift from industry to a predominantly service-based economy. This has led to skill gaps and shortages, and to a skill supply for which there is no demand. The mismatch is of concern because it represents a low return on educational investment, results in higher levels of unemployment, and hinders growth and competitiveness.

A policy mix is required in order to improve matching; this should include an effective labour market information system, forecasting of skill supply and skill demand, a demand-oriented VET system with increased capacity and

transparency, and an improved placement and referral system for jobseekers and vacancies. Such a policy mix calls for strategic coordination, analytical capacities and the horizontal and vertical coordination that has been repeatedly advocated. The expected results would be higher placement rates for the EAM, improved information about employers' skill demands, a reduction of skill shortages and bottlenecks, and the increased employability of the workforce.

In line with the EC's 'New Skills for New Jobs' initiative, Montenegro should strive to implement a coherent policy to improve the matching between supply and demand on the labour market, based on an improved labour market information system.

### Recommendations

- Develop a reliable mechanism for short- and medium-term skill forecasting of trends and developments in the labour market, building on existing practices of analysing short-term skill demands on the basis of vacancies and employer surveys and on EU expertise (for example, Cedefop Skillsnet).
- Develop coherent and synergetic policies to boost demand-oriented, high-quality and accessible vocational training and retraining. This would include two strands:
  - targeted and result-oriented training for unemployed people, managed by the EAM but also outsourced to other training providers;
  - further training of employees for economic growth and enhanced competitiveness, with employers making a financial contribution (see above).
- Optimise the interface within EAM between the service for employers and the service for unemployed people, and improve the placement and referral system (for example, improve the service to employers, and organise regular job fairs at local level).
- Further develop and implement a fully-fledged vocational information and guidance system, with improved coverage and outreach across the country.

### 7.2.2 IMPROVING ACTIVATION POLICIES; OPTIMISING PASSIVE AND ACTIVE LABOUR MARKET MEASURES

The context for activation measures, including the low employment rate, the high proportion of long-term unemployment and the weak social protection system, must be taken into account in the design of activation measures with greater impact. It is of paramount importance to clarify the rights and responsibilities of jobseekers and the motivation for registering with the employment service: who is actually seeking a job, and who may have registered for other reasons (health insurance, to qualify for social welfare, early retirement)? Coordinated approaches need to be applied by local employment offices and centres for social work in order to reach those who are inactive.

A coherent set of policy interventions will be needed in order to reach not only registered jobseekers, but also the wider group of inactive but employable people, discouraged jobseekers and those who are vulnerable. Framework conditions that have a strong impact on activation include the effectiveness of the labour inspection system, the role of social partners in combating informal employment, and the unemployment benefit system. It is recommended that the coverage and level of the unemployment benefit system be increased and the interface with social services improved. The results of these approaches should be an increased activity rate, reduced long-term unemployment with shorter unemployment spells, and a higher employment rate for women.

### Recommendations

- Increase the scope and effectiveness of ALMMs by strengthening delivery capacity and by better targeting the measures (towards women, long-term unemployed individuals, young people, older people and disadvantaged groups).
- Increase the activity rate of women, for example through the introduction of a strong gender-mainstreaming policy at all levels and the removal of barriers to female labour participation (including creating sufficient childcare facilities).
- Motivate and enable those in long-term unemployment to take up work through appropriate activation measures, combining support, empowerment and sanctions. Increase the coverage and level of unemployment benefits, and improve cooperation and establish data exchange between the local employment offices and social services at the centres for social work.

### 7.2.3 ENHANCING JOB CREATION AND THE ABILITY OF WORKERS AND ENTERPRISES TO COPE WITH CHANGE

Creating gainful – and as far as possible sustainable – jobs very much depends on the existence of effective support structures to enhance the foundation of micro and small enterprises and help them to grow. SMEs employ the majority of the labour force in Montenegro and the generate most of the new jobs. The sustainability of SMEs and start-ups therefore needs to be strongly enhanced by appropriate policy interventions. The impact, sustainability and potential of the self-employment scheme (implemented in 1999 by the EAM) needs to be evaluated and outsourced to specialist service providers with entrepreneurial consultancy know-how, working in close cooperation with the EAM (and also learning from international good practice of start-up schemes).

### Recommendations

- Support growth and employment in SMEs, counselling services for small businesses (including training needs analysis) and incentives for staff training and job

creation, managerial training, access to capital for investments.

- Provide comprehensive services to make self-employment more sustainable, with support packages including advisory services, entrepreneurial training and micro-credit.

### 7.2.4 ENHANCING CAPACITIES IN LABOUR MARKET MANAGEMENT AND DELIVERY

There is a need for more policy coordination and a stronger delivery system. Labour market management that produces tangible results is based on a strong policy implementation architecture with these pillars: analysis, planning with strategic goals and feasible objectives (SMART objectives<sup>25</sup>), a well-functioning and accountable delivery system, regular monitoring, and (independent) evaluation. Further effort will be needed to strengthen all these pillars. It will be advisable to update the National Strategy for Employment and Human Resources Development in the light of the economic crisis and to define achievable and more realistic goals and objectives. A more results-based approach should make it possible to define the programmes and measures for the bodies that are accountable for the results.

### Recommendations

- Strengthen the analytical and monitoring capacities of the Ministry of Labour and Social Welfare.
- Optimise the EAM's organisational procedures for service delivery, focusing on its core competences and tasks as a public employment service.
- Develop capacities to monitor and evaluate the performance and results of labour market measures.
- Enhance and enforce regular cooperation between all actors involved at both horizontal (inter-institutional) and vertical (national, regional, local) levels.

## 7.3 ENHANCING SOCIAL INCLUSION

### 7.3.1 PARTICIPATION OF VULNERABLE GROUPS IN HIGH-QUALITY EDUCATION AND TRAINING AND DECENT EMPLOYMENT

There is no doubt that broader education and employment opportunities must be at the core of the drive to break the vicious circles of poverty and social exclusion. Hence, educational initiatives aimed at ensuring better access, participation and attainment for vulnerable children in primary and secondary education in Montenegro are essential. Yet these must be underpinned by additional socioeconomic support for those living in poverty (RAE individuals, displaced people), and improvements in infrastructure and social services (students with special education needs, people with disabilities). Special

affirmative interventions promoting pathways to formal employment for vulnerable groups also need to be considered in partnership with the private sector. Successful inclusion of these individuals into work requires a coordinated approach that offers support through specialised social services, personalised employment and/or training programmes, and, last but not least, basic income security. The successful implementation of these measures will be heavily reliant on their complementing anti-discrimination awareness-raising campaigns among majority communities, employers, educators, parents.

### Recommendations

- Expand inclusive education for students with special education needs, and improve teachers' skills for working in diverse social and cultural settings.
- Involve the private sector in initiatives to open up employment opportunities for vulnerable groups, and support self-employment and business start-ups among vulnerable groups.
- Launch anti-discrimination awareness-raising campaigns, reduce negative school/workplace stereotypes and discrimination, and create and disseminate positive role models.

## 7.3.2 SUPPORTING REGIONAL COHESION BY DEVELOPING COMPREHENSIVE STRATEGIES FOR THE NORTHERN REGION

Although Montenegro is a small country, it is characterised by striking regional disparities. The north is highlighted as a region of social exclusion and multiple deprivations. There is a need to develop well-targeted, multi-dimensional, coherent approaches to tackle the interconnected range of problems in this region, such as out-migration resulting in depopulation and ageing populations, a diminishing economic base with limited employment opportunities, low income levels and dependence on social welfare, and the poor infrastructure and quality of education. Some of these efforts could be directed towards rebuilding social capital, while mobilising

and empowering local people to change their lives themselves through community development and 'social region' approaches.

### Recommendations

- Develop integrated economic, social and employment responses to tackle the problem of multiple deprivations.
- Establish local employment initiatives (local employment pacts).
- Remove barriers to the regional mobility of the workforce, providing an appropriate infrastructure and mobility incentives.

## 7.3.3 MAINSTREAMING SOCIAL INCLUSION

Mainstreaming social inclusion refers to the processes of re/organisation, improvement, development and evaluation of policies to ensure that the social inclusion perspective is reflected in all policies, at all stages and by all actors involved in policy making. This is necessary because of the complex, multi-faceted nature of inclusion that implies strong interaction and synergy between economic, employment, learning, cultural and social dimensions. Since Montenegro is at the very start of this process, the country has the chance to establish a proper institutional setting and to develop appropriate coordination procedures to mainstream the fight against poverty and social exclusion across its sector policies, with the aim of achieving better overall impact.

### Recommendations

- Mobilise public authorities at central, regional and local levels and enhance their capacities for developing and implementing social inclusion measures.
- Establish dialogue and partnerships with social partners and civil society organisations in the fight against poverty and social exclusion.
- Encourage social responsibility on the part of the private sector.





# ABBREVIATIONS AND ACRONYMS

<b>ALMM</b>	active labour market measure
<b>EAM</b>	Employment Agency of Montenegro
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECTS</b>	European Credit Transfer and Accumulation System
<b>ETF</b>	European Training Foundation
<b>EU</b>	European Union
<b>Eurostat</b>	Statistical Office of the European Union
<b>Eurydice</b>	information network on education systems and policies in Europe
<b>FDI</b>	foreign direct investment
<b>GDP</b>	gross domestic product
<b>GTZ</b>	German Agency for Technical Cooperation (Gesellschaft für Technische Zusammenarbeit)
<b>HRD</b>	human resources development
<b>ICT</b>	information and communication technology
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund
<b>IOM</b>	International Organisation for Migration
<b>IPA</b>	Instrument for Pre-Accession Assistance
<b>ISCED</b>	International Standard Classification of Education
<b>LFS</b>	labour force survey
<b>Lux Development</b>	Luxembourg Agency for Development Cooperation
<b>Monstat</b>	Statistical Office of Montenegro
<b>NATO</b>	North Atlantic Treaty Organisation
<b>NGO</b>	non-governmental organisation
<b>NQF</b>	National Qualifications Framework
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OSCE</b>	Organisation for Security and Cooperation in Europe
<b>RAE</b>	Roma, Ashkelia and Egyptian
<b>SME</b>	small and medium-sized enterprises
<b>UN</b>	United Nations

<b>UNDP</b>	United Nations Development Programme
<b>UNICEF</b>	United Nations Children’s Fund
<b>USAID</b>	United States Agency for International Development
<b>VET</b>	vocational education and training



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