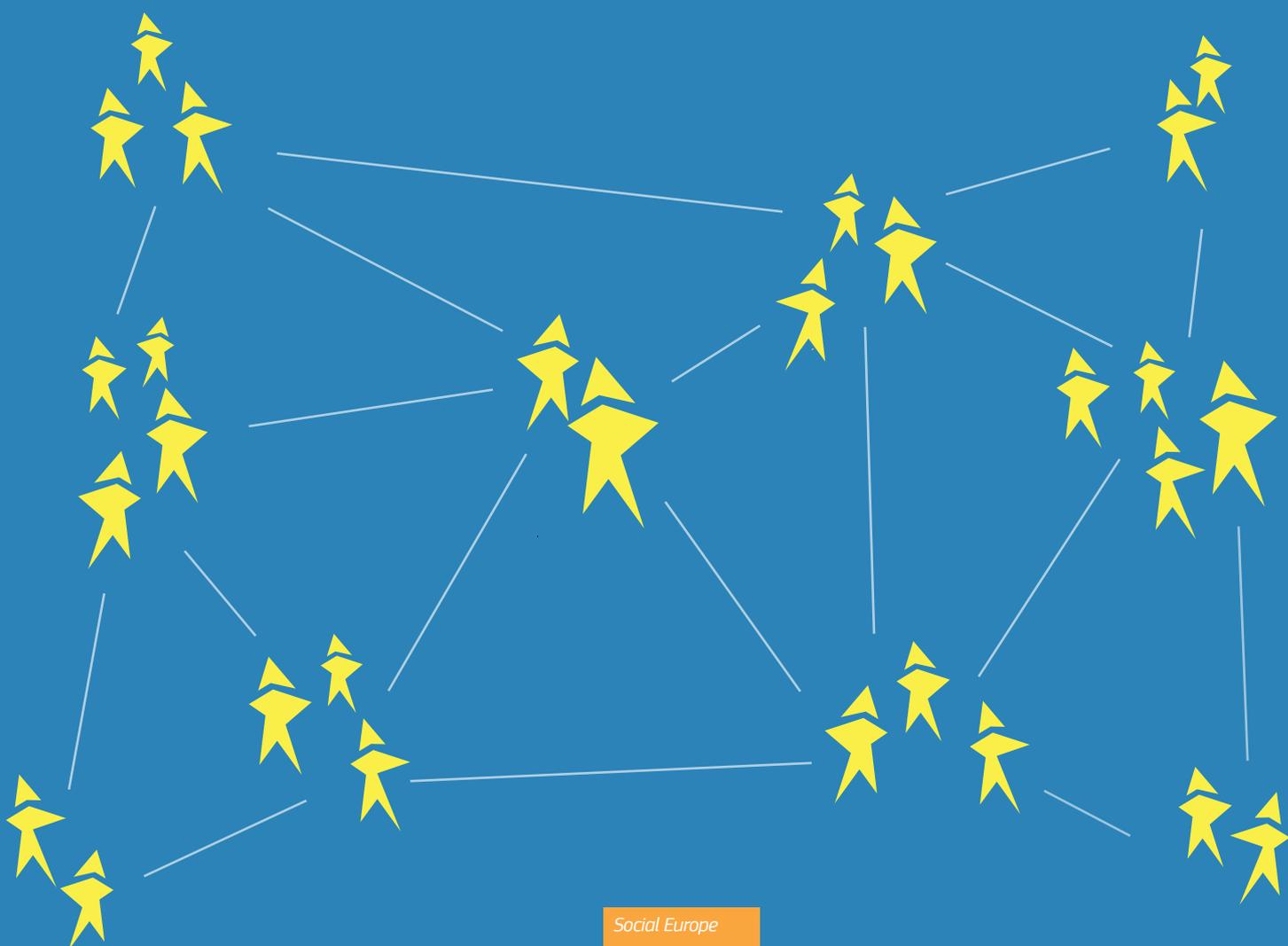




EUROPEAN SOCIAL POLICY NETWORK (ESPN)

In-work poverty in Montenegro

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Social Europe

EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion

Directorate C — Social Affairs

Unit C.2 — Modernisation of social protection systems

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European Social Policy Network (ESPN)

**ESPN Thematic Report on
In-work poverty**

Montenegro

2019

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Quoting this report: Kaluđerović, Jadranka and Golubović, Vojin (2019). ESPN Thematic Report on In-work poverty – Montenegro, European Social Policy Network (ESPN), Brussels: European Commission.

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Summary

Although the data from the *EU Statistics on Income and Living Conditions (EU-SILC)* survey are available for Montenegro (since December 2018), the total in-work poverty¹ (IWP) rate is not – only the IWP rate by activity status. Thus, according to the available data, the IWP rate for employees in Montenegro in 2017 was 5.9%, which is 1.5 percentage points (p.p.) lower than the EU-28 average. The same holds for the in-work poverty rate for self-employed persons: 19.8% in Montenegro, compared to 22.7% in the EU-28. This was also significantly below the population average, which was at 23.6%. Despite that, there has been an increase in the poverty rate indicators for the employed since 2013. This is especially evident for the self-employed population, for which the risk-of-poverty rate increased by 8.9 p.p. from 2013 to 2017. Among employees, those working within the public sector are more exposed to the risk of poverty.

Among household characteristics, the work intensity of the household and the number of dependants in the household both significantly affect the incidence of poverty. Thus, the highest risk is observed in households with very low work intensity and in households with two adults and three or more children. Regarding individual characteristics, the incidence of poverty is higher for young people and those with lower education.

As employment significantly reduces the risk of poverty in Montenegro, the majority of the policy measures focus on activation and social support for those who are very hard to employ. The most important measure that targets IWP is the minimum wage, which is 40% of the average wage and amounts to €193 (€288 gross) per month. The minimum wage in Montenegro is protected on two levels: by a system of coefficients defined in the general collective agreement and by the level of the minimum wage, defined by the labour law.

Aside from the minimum wage, some policies that directly influence IWP in Montenegro include: progressive taxation, family benefits, active labour market measures and measures that tackle labour market segmentation. Among the indirect policies are childcare, long-term care and healthcare, life-long learning and housing.

Personal earnings are taxed at a rate of 9%, while earnings that exceed €720 a month gross are taxed at 11%.

Of the benefits provided by the social and child protection system, salary compensation for maternity leave and the birth grant (one-time financial support for a new-born) are the two that are most used by the employed. Both employed and self-employed people are eligible for the salary compensation, which depend on the wage and length of the work record and is capped at the level of two average monthly wages. From 2016, all those who have children with a disability, regardless of their employment status, are entitled to monthly financial compensation of €193.

Primary and secondary education in Montenegro is free, while preschool education is subsidised by the state in public institutions, and parents pay €40 a month to cover the cost of food (or €20 for the part-time programme).

There is a national housing strategy and programme in Montenegro until 2020. Among the projects defined by the programme, several are aimed at supporting the employed population in resolving their housing needs, such as the programme for those employed in public institutions, the solidarity housing programme or the programme for young couples.

¹ For ease of reading, we will refer to the notion 'at risk of in-work poverty', and to the indicator that measures it, using the generic term of 'in-work poverty' (IWP).

There is also a national strategy for adult education which runs until 2025 and a national plan (until 2019), whose goals are to support life-long learning. However, implementation of the defined agenda would require significant effort.

The national employment agency provides activation measures – mainly counselling and profiling; but there is no information about the effectiveness of those measures.

The most pressing debate regarding IWP policies is the debate on the minimum wage. The unions, with the support of some opposition political parties, have been advocating a minimum wage increase to €250 monthly. The main argument is that the minimum wage is among the lowest in the region. Although during 2018 it seemed that the government would consider this proposal, at the end of the year it announced that there would be no scope for such a change during 2019.

In-work poverty is not discussed as a specific issue or topic in the public realm or by the government, although some policies and programmes that target the population at risk of IWP do exist. It is to be expected that permanent and more detailed availability of EU-SILC data will provide a good basis for monitoring the status of this population – and consequently certain policy actions.

1 Analysis of the country's population at risk of in-work poverty

Poverty in Montenegro is strongly connected with labour market status, which is confirmed by the poverty indicators that were calculated in the period 2008-2013 according to the World Bank methodology, as well as the newly published EU-SILC data that cover the period 2013-2017.

According to the Statistical Office of Montenegro (MONSTAT), the data on absolute poverty (set as the cost of basic needs, including food and non-food products and services), based on the Household Budget Survey (HBS),² show that persons who are unemployed are at the greatest risk of poverty (13.4% in 2013, Table 1). Among the self-employed (pursuing agriculture for their own needs or managing a small private business), the poverty rate was 9.5% in 2013. The lowest poverty rate is among those employed (3.1% in 2013). Employed persons represent 24.8% of the total population and 8.9% of the poor; the self-employed represent 2.4% of the total population and 2.7% of the poor. The absolute poverty line for Montenegro in 2013 was €186.45 per equivalent adult, which is approximately €4 more than in 2012. In 2013, the poverty rate (i.e. the proportion of people whose spending was below the national poverty line) was 8.6%, which represents a decrease of 2.7 percentage points compared with the 11.3% poverty rate in 2012.

According to the data from the LFS, in 2013 there were 169,600 employed persons (excluding the self-employed), which means that there were around 5,250 employees in Montenegro below the absolute poverty line. Also, of the 29,800 self-employed in 2013, 2,800 were below the absolute poverty line. Adding those two together, according to the absolute poverty analysis, in 2013 there were approximately 8,000 employed persons below the poverty line.

² In 2008, the Statistical Office of Montenegro published the results of the poverty analysis for the first time, in cooperation with the World Bank and with support from the Ministry of Labour and Social Welfare. Poverty estimation in Montenegro is based on the absolute poverty line constructed using key parts of the World Bank methodology described in Ravallion (1994). In the period 2008-2013, the same methods and procedures are used for estimations, which provides a good comparison of results over the time. The absolute poverty line was calculated in detail by MONSTAT, based on the Household Budget Survey. The absolute poverty line is set using a method which employs the cost of basic needs, including food and non-food products and services, where the food items and the minimum quantity of products are estimated on the basis of the nutrition recommendation for the required calorie intake.

Table 1: Poverty according to activity status in 2013

Activity status	Poverty rate	The share of poor within this category	The share of this category in total population
Under 15 years of age	13.2%	29.2%	19.0%
Employed	3.1%	8.9%	24.8%
Self-employed	9.5%	2.7%	2.4%
Unemployed	13.4%	24.5%	15.7%
Retired	5.2%	12.5%	20.6%

Source: MONSTAT (2014).

Regular wages produce a low level of poverty risk (Table 2). In 2013, the lowest poverty rate was in households which had as the main source income from agriculture and business (4.4%) and was slightly higher in households where the main source of income were wages from the private sector. Some 21.6% of the population lived in households whose main source of income were wages from the public sector. Those households accounted for 19.1% of the poor. This indicates that the in-work poverty risk is higher for people employed in the public sector than for those employed in the private sector. Disaggregated wage data for the public and private sectors (which would provide evidence for this) are not available for Montenegro. However, there are studies showing that, in contrast to developed countries, transition countries face a negative public sector wage premium for employees with the same labour market characteristics (Laušev, 2014).

Table 2: Poverty risk by main household income in 2013

Main household income	Poverty rate	The share of poor within this category	The share of this category in total population
Wages (public sector)	7.6%	19.1%	21.6%
Wages (private sector)	5.2%	21.2%	35.3%
Agriculture and household business	4.4%	2.6%	5.1%
Pensions	6.7%	22.8%	29.3%
Other inactive persons	10.9%	22.2%	17.5%

Source: MONSTAT (2014).

Previous research on poverty in the period 2008-2013 was based on the concept of absolute poverty. The advantage of using the absolute concept in this period was that the minimum living standard needs of people in Montenegro could be tracked, and poverty could be compared over time, using the same reference line that is corrected over time just for inflation. However, this absolute poverty line is a Montenegro-specific line and is not suitable for international comparisons.

The Statistical Office of Montenegro has adopted the concept of relative poverty (risk of poverty), based on household income, as an official methodology for measuring poverty. This EU-SILC research (also the first official statistics on poverty since 2013) in Montenegro was first published on 14 December 2018 and covers the period from 2013 to 2017. According to the first EU-SILC research in Montenegro, the basic indicators of poverty risk and inequality are presented in Table 3.

Table 3: Basic indicators of poverty risk and inequality

	2013	2014	2015	2016	2017
At-risk-of-poverty rate, %	25.2	24.1	24.4	24.0	23.6
Relative at-risk-of-poverty gap, %	39.7	32.8	36.6	35.6	34.0
The persistent at-risk-of-poverty rate, %				15.6	
Income quintile ratio (S80/S20)	8.5	7.3	7.5	7.4	7.6
Gini coefficient	38.5	36.5	36.5	36.5	36.7

Source: EU-SILC, MONSTAT (2018).

The at-risk-of-poverty rate in Montenegro in 2017 was 23.6%, that is 1.6 p.p. less than in 2013. Also, the decreasing trend shows up in the relative at-risk-of-poverty gap, since in 2013 the value of this indicator was 39.7% and in 2017 it was 34.0%. The persistent at-risk-of-poverty rate for the period 2013-2016 amounted to 15.6%. The income quintile ratio (S80/S20) fell from 8.5 in 2013 to 7.6 in 2017. Also in the observed period, there was a slight decrease in inequality of income, because the Gini coefficient declined from 38.5 in 2013 to 36.7 in 2017.

According to the EU-SILC, the at-risk-of-poverty rate significantly decreased with increasing level of education. In 2017, the at-risk-of-poverty rate for persons with unfinished or basic education amounted to 36.2%; for persons with secondary education, the risk of poverty was 20.8%; and those with higher education it was 6.8%.

Table 4: At-risk-of-poverty rate by most frequent activity status (18 years or more), %

	2013	2014	2015	2016	2017
Employees with an employer	5.5	7.2	6.1	6.6	5.9
Self-employed	10.9	12.1	18.9	16.0	19.8
Unemployed	49.0	43.7	44.0	42.2	44.8
Pensioners	12.1	12.4	14.2	16.4	14.4
Others inactive	30.0	32.0	33.4	32.9	31.0

Source: EU-SILC, MONSTAT (2018).

Data on at-risk-of-poverty rates by most frequent activity status show that on average the unemployed and the inactive populations face the highest risk of poverty. While the unemployed recorded a decreasing trend in the at-risk-of-poverty rate during the observed period, this was not the case for the inactive population.

As can be seen from Table 4, employees are on average least likely to be at risk of in-work poverty. However, the self-employed face a higher risk of poverty than workers with an employer (19.8%, compared to 5.9% in 2017). One of the reasons for such a difference is that the category of self-employed includes farmers, whose income includes non-monetary income and auto-consumption, and there are also family workers in the households who, by definition, do not have any income. In addition, the at-risk-of-poverty rate for the self-employed increased by 8.9 p.p. (compared to 10.9% in 2013),

and for employees, the poverty risk rate increased slightly over those five years (by 0.3 p.p. from 2013 to 2017).

Compared to the European Union, in-work poverty among employees in Montenegro in 2017 was lower (5.9%) than the indicator for the EU-28 (7.4%). In-work poverty for the self-employed (19.8%) was also lower than in the EU-28 (22.7%).

The wage distribution data for 2016 show that around 30% of employees in Montenegro earn less than €200 a month, while a further 13% earn between €200 and €250.

Table 5: Distribution of registered earnings in 2016

Net earnings	Number of employees	% of total number
up to €150	16,725	8.9%
from 150 to 200	40,051	21.4%
from 200 to 250	24,230	12.9%
from 250 to 300	13,095	7.0%
from 300 to 350	13,387	7.1%
from 350 to 400	11,966	6.4%
from 400 to 450	10,144	5.4%
from 450 to 500	10,766	5.7%
from 500 to 550	11,211	6.0%
from 550 to 600	7,700	4.1%
from 600 to 700	8,957	4.8%
from 700 to 800	5,464	2.9%
from 800 to 1000	6,213	3.3%
over 1000	7,550	4.0%
	187,459	

Source: Tax Administration Montenegro.

The share of low-wage earners – defined as employees who make less than two-thirds of the median wage – in Montenegro was significantly higher than the EU average, according to the Structure of Earnings Survey (SES): 27.3%, which was higher than in any EU country (World Bank Group and WIIW, 2018).

What particularly influences the risk of in-work poverty is the household's overall work intensity (see Table 6). In 2017, the risk of poverty for those living in high and very high work-intensity households was 2.2, while for those living in low work-intensity households it was 59.9. Overall, during the period 2013-2017 there was a slight increase in the average work intensity of household members (population 0-59 years old) from 0.48 to 0.52.

Table 6: In-work at-risk-of-poverty rate by work intensity of the household (18-59 years)

	2013	2014	2015	2016	2017
High and very high work intensity	0.6	2.2	2.5	2.1	2.2
Medium work intensity	15.0	15.9	14.8	15.5	17.6
Low work intensity	22.0	26.6	28.8	24.5	25.1
Very low work intensity	63.5	58.9	63.2	61.6	59.9

Source: EU-SILC data, MONSTAT (2018).

In addition, the number of dependants in the household also influences the risk of poverty. As 2017 EU-SILC data for the total population show, the risk of poverty for households without any dependent children was 15.7, while for households with dependent children it was 28. The households with the highest risk (45.9 in 2017) are those with two adults and three or more children.

Being poorly educated also increases the risk of poverty: those with only elementary schooling had an at-risk-of-poverty rate of 36.2% in 2017, while for those with tertiary education it was 6.8%. Also, the risk of poverty decreases as people get older. The population aged 25-64 has below the average at-risk-of-poverty rate, and the over-65 population has the lowest risk. There were no significant differences between the genders in the at-risk-of-poverty rate.

However, no data are available on the at-risk-of-poverty rate according to household characteristics, apart from education, gender and age for the population aged 18-64.

Besides the HBS and EU-SILC, another relevant piece of research for this topic is the survey conducted by the UN Development Programme (UNDP) in 2014 for the Ministry of Labour and Social Welfare on informal employment and the grey economy in Montenegro.

The data for assessing the risk of poverty, particularly among informally employed people, come from a UNDP survey (UNDP, 2016), which used Eurostat methodology to assess the poverty risk on the basis of equivalent income. According to that survey, based on status in the labour market, the poverty risk rate – defined as the proportion of the population whose equivalent income was lower than 60% of the median equivalent income of the overall population – was worst for unemployed people, since almost half of all unemployed people aged 15 and above (47.6%) were exposed to the risk of poverty. This was significantly higher than the average poverty risk rate for the overall population aged 15 and above, which was 19.3%.³

³ The poverty risk rate that UNDP used in its survey was calculated according to the Eurostat methodology that is used in EU-SILC research. Since the data used for the assessment of the poverty risk were obtained from the survey of household incomes, they have to be treated with care, given the inclination of households to underestimate incomes.

Table 7: At-risk-of-poverty rate by status in the labour market after and before social transfers, %

Status in the labour market	Poverty risk rate after social transfers	Poverty risk rate before social transfers
Total population aged 15+	19.3	20.1
Total employed (informally and formally)	9.7	10.1
Informally employed	17.1	18.3
Workers with employers	7.2	8.1
Self-employed	27.2	28.2
Formally employed	5.9	6.1
Workers with employers	6.1	6.2
Self-employed	5.6	5.6
Unemployed	47.6	48.1
Inactive	24.1	25.2

Source: Survey on Informal Employment and the Grey Economy in Montenegro, UNDP (2016)

Data from the survey show that employment significantly reduces the risk of poverty: but that does not mean that there is an absence of poverty among employed people in Montenegro. The poverty risk rate for all employed people is 9.7%. Informally employed people have a significantly higher poverty risk than formally employed people (17.1%, compared to 5.9%). Among informally employed people, there is a significantly higher risk for the self-employed (27.2%) than for workers with an employer (7.2%). On the other hand, among formally employed people, workers with an employer have a higher poverty risk rate (6.1%) than the self-employed (5.6%); here the difference is not as great as the difference within informally employed people. Self-employed people who are informally employed have a far higher risk of poverty than self-employed people who are formally employed. On the other hand, employees who are undeclared and work for an employer face a slightly (not significant) higher risk of poverty than formally employed people.

As can be seen from the above table, social transfers can have an impact on the poverty risk: social transfers reduce the poverty risk rate of the population aged 15+ in Montenegro by 4%. In other words, if there were no social transfers, the risk of poverty would be 20.1% instead of 19.3%. The highest contribution of social transfers to the reduction in the poverty risk rate is recorded for informally employed people (6.6%), while for formally employed people that figure is 2.1%.

Based on the available data, it may be concluded that the self-employed face a higher risk of poverty than employees, while among employees those employed within the public sector are more exposed. Also, the work intensity of the household significantly influences the risk of IWP. Based on total population data, it may also be concluded that households with dependent children also face a higher risk of poverty. The highest risk is observed among households with two adults and three or more children. Regarding individual characteristics, it can be seen that the incidence of poverty is higher for young people and those with lower education.

2 Analysis of the policies in place

The in-work poverty concept does not feature on the political agenda in Montenegro. Due to the low activity rate (57.6% in the third quarter of 2018) and the relatively high unemployment rate (14.1% in the third quarter of 2018), employment is seen as the major mechanism to tackle poverty. Consequently, most strategic policies are focused on poverty reduction through activation and labour market integration and the provision of social support. However, there are some policies that directly or indirectly influence the living standards of the working population.

2.1 Policies directly influencing in-work poverty

2.1.1 Minimum wage

Minimum wage policy is one of the most important policies that directly influence in-work poverty in Montenegro. Although the concept of the minimum wage was introduced at the beginning of the 1990s, the modern concept of the minimum wage was defined in 2008. Since then, the minimum wage has been protected at two levels: by the system of coefficients defined in the general collective agreement, and by the level of the minimum wage defined by the labour law. The collective agreement, signed between the social partners, defines the minimum rights and obligations as they affect employment, and is obligatory for all employers in the country. According to the current agreement (adopted in 2014), wages for a certain level of education are calculated by multiplying together the coefficient for a particular educational level and the accounting coefficient (currently €90 per month). It is also defined that a wage cannot be lower than the national absolute poverty line. In addition, labour law defines that the minimum salary cannot be lower than 30% of the average salary in Montenegro in the previous half year, according to the official data. Currently, the minimum wage is set at 40% of the average wage and amounts to €193 (€288 gross). The average net wage in November 2018 was €512, while the absolute poverty line for 2017 was €174.75.

Although the labour law (adopted in 2008) has been changed three times since 2012 (in 2012, 2014 and 2018), there have been no significant changes regarding the minimum wage regulation. The most significant changes regarding flexibility were introduced in 2011, and those refer to widening the scope of the types of fixed-term contracts and to the introduction of temporary work agencies.

2.1.2 Taxes and social contributions

In 2007, the system of personal income progressive rates was abolished and a single flat tax rate was introduced, which from 2010 was set at 9%. With the aim of gaining additional budget revenue after the crisis, an additional rate of 15% on personal earnings in excess of €720 a month gross was introduced in 2013. The higher rate was lowered to 13% in 2014 and to 11% in 2015. Although it was introduced as a temporary measure, the higher rate of 11% is still in use.

2.1.3 Family benefits

The social protection system is defined by the social and child protection law (adopted in 2013 and amended in 2011, 2016 and 2017) and covers financial and non-financial benefits. The cash benefits can be broadly grouped into the following categories: (i) guaranteed minimum income for those who lack minimum resources; (ii) benefits for children and families with children; (iii) disability benefits; and (iv) benefits for war veterans and their families. Out of this set, benefits for children and families with children include those that also cover the working population. From the set of child protection benefits, those for which working parents are eligible include: birth grant and wage compensation during parental leave. The birth grant or benefit for a new-born child is a universal benefit for each new-born child and amounts to €109.07 (€130.88 for parents who received family material support). Workers with an employer and the self-employed

are eligible for wage compensation for maternity or parental leave. The wage compensation depends on the actual salary of the beneficiary and the length of the work record, and is capped at two average wages for the country in the preceding year. For example, the employment has lasted for 12 months or more, the employer is reimbursed with the average income of the employee over the 12 months preceding the month when the right to maternity or parental leave was acquired. In addition, reimbursement of salary for half-time work is also provided.

In certain special cases, the recipients of family material support may also receive child benefit, provided they work on the basis of a state work contract based on the individual action plan to actively resolve the family's social situation; in such cases they receive €23.68 per child per month.

2.1.4 Active labour market policies

At the end of 2017, the government of Montenegro adopted a Draft Law on Employment Intermediation and Benefits During Unemployment. This law represents a change in the existing Law on Employment and Exercising the Right of Unemployment Insurance, and is expected to contribute to greater flexibility and a better adjustment of active labour market measures to labour market needs. The law separates labour market services and active labour market policies, which are defined in accordance with Eurostat methodology (adult education and training, employment incentives, employment support, direct job creation and entrepreneurship incentives). At the end of 2018, the law was still before parliament.

Public employment services are provided by the Employment Agency of Montenegro (EAM) and they also include measures aimed at activating the unemployed. These include providing information about possibilities and conditions for employment, and advisory services. The EAM conducts complete profiling, i.e. an assessment of the employability of the unemployed, based on education, work experience, skills and personal characteristics, professional interests and motivation for work, social and health conditions and other relevant information. Based on the profiling process, the EAM prepares individual employment plans. These plans define activities and labour market measures that should be undertaken by the unemployed person or EAM, aimed at achieving conditions conducive to their employment or at removing obstacles to their employment within the planned deadlines. Also, the EAM can change, add to and adapt the plans to the requirements of the market. As there is no monitoring or evaluation system of the active labour market measure in place, there is a degree of scepticism about its effectiveness in raising employment.

2.1.5 Tackling labour market segmentation

In Montenegro there is a law on professional rehabilitation and the employment of persons with disabilities. The law aims to support the employment of people with disabilities through a quota system. This law prescribes that employers who do not employ people with disability are obliged to pay a special contribution for the professional rehabilitation and employment of people with disabilities. The rate of the special contribution amounts to 20% of the minimum wage in the year preceding the year in which the contribution payment has to be paid. The money from the contributions is paid to a special fund (part of the national employment agency) which is used for rehabilitation and employment. However, according to the audit report of the fund, the share of the money that is spent is very low (5.5% in 2014).

2.2 Policies indirectly influencing in-work poverty

2.2.1 Child care

Education in Montenegro begins with preschool, followed by elementary (nine years) and secondary education (three to four years). Elementary and secondary education is compulsory and all costs are covered by the government of Montenegro. Parents only need to finance schoolbooks and other learning materials. The preschool system is not obligatory, and 80% of all costs of preschool public educational institutions are financed from the state budget (UNICEF, 2016).

According to the preschool education law, parents only pay for their children's food in public preschools. The price is set by the institution and amounts to €20 or €40 monthly, depending on whether the child attends full or part time. Fees in private institutions are not subsidised by the state and are much higher, usually above €80. In Montenegro there are 43 pre-primary educational institutions, of which 21 are public and 22 are private (MONSTAT, 2018).

Of all children aged 0-6, 33.2% attend preschool institutions (UNICEF, 2016). However, coverage varies across municipalities, and is higher in municipalities in the south, which have a higher level of economic development. In addition, in the central and south region, many of the kindergartens function at above full capacity. Of all enrolled children, children enrolled in public institutions account for 95.3%. The average number of children per educational group in public pre-primary institutions is 32, whereas in private establishments it is 15.

2.2.2 Life-long learning

Life-long learning in Montenegro is supported by several measures, such as: measures for increasing basic skills achievements; measures for acquiring recognised qualifications in adulthood; measures focused on transition to the labour market; and other types of publicly subsidised measures for adult education. All programmes related to these measures are focused both on acquiring qualifications and on acquiring professional knowledge and key skills. There is also a Strategy for Life-long Entrepreneurial Learning 2015-2019, which was adopted in order to improve the overall situation surrounding life-long learning, because according to the LFS, in 2017 only 2.8% of adults (population aged 25-64) participated in learning; that percentage is higher for males (3.3%) than for females (2.7%).

Aside from the Law on Adult Education (adopted in 2011), designed to provide greater coverage of programmes of life-long education and learning and to upgrade the knowledge, skills and competences of citizens, the government of Montenegro has adopted a Strategy for Adult Education from 2015 to 2025 and a Plan for Adult Education in Montenegro (2015-2019). This and the annual plans (based on a four-year plan) should lead to achievement of the goals defined in the Strategy for Adult Education. Annual plans elaborate in detail activities according to priority areas and according to municipalities. They contain activities, target groups, activity holders, monitoring indicators, planned financial resources and sources of resources necessary for implementation of the plan. However, the scope of the implemented activities defined by plans is not very clear. Various activities are implemented by different national institutions. For example, the Employment Agency of Montenegro implements programmes of training and retraining and programmes for the unemployed to acquire and upgrade knowledge, skills and competences. Also, the Human Resources Administration finances programmes for the professional development of employees in state administration. All ministries also finance specific activities related to specific skills development (depending on the need). Also, the representatives of business (such as the Chamber of Commerce) implement various training programmes and other activities.

2.2.3 Long-term care and healthcare

Children with disability are eligible for assistance in education, which includes the costs of accommodation and the costs of transportation. Also, those who have children with disability have been provided with monthly compensation since 2016. One of the parents or guardians who nurture and take care of a person who is in receipt of personal disability allowance, regardless of their employment or pension status, is entitled to this financial compensation. The monthly benefit amount is €193 (2018).

The safety net also includes social care services for children and the elderly (such as placement in residential care institutions, accommodation in foster care or guardianship). It also includes employment services (public works, assistance for professional rehabilitation and vocational training), but only for recipients of social assistance.

According to the social and child protection law, local self-governments can, in accordance with their financial capacities, provide additional financial supports in the area of child protection, such as support for a new-born child, support for the purchase of school supplies and one-off assistance.

There has been a reduction in the overall contribution rate for health insurance to 12.8%, out of which the employee pays 8.5% and the employer 4.3%. Employed persons have a right to health protection, sick leave and reimbursement of travel expenses. Also, members of the family also have a right to health insurance (children until the end of schooling/study but at the latest up to the age of 26).

2.2.4 Housing

In 2011, the government of Montenegro adopted a National Housing Strategy 2011-2015, with the main goal of providing decent housing and living standard for citizens. The key ways of improving the accessibility and affordability of adequate dwellings are by building so-called social dwellings either for purchase or rent; renovating dwellings, improving their quality and legalising informal settlements; subsidising housing costs; and other indirect measures. Based on this strategy, the government has adopted a social housing programme for 2017-2020. Under the programme, several projects are envisaged: a regional project for housing displaced persons; a solidarity housing programme for people with social needs; a housing programme for people employed in public sector; and project 1000+ (see below).

The Montenegrin Fund for Solidarity Housing Development was established on the initiative of the Confederation of Trade Unions of Montenegro, which was also a founder. The government of Montenegro and the Union of Employers of Montenegro joined the fund in 2018. This three-member company has the opportunity to finance the construction of buildings that are priced lower (on average 50% lower) than similar real estate on the market. Employees with those institutions and companies that contribute to the fund may apply to buy these dwellings.

One of the government projects aimed at supporting housing for the young population is the 1000+ project, by which the government subsidises part of the interest rate on the purchase of a residential house/apartment. Young couples (below the age of 35), those employed in the public sector and also other categories are eligible, while priority is given to single-parent families, families with a disabled member, victims of violence, etc. The third phase of the project was implemented during 2018. The first phase was implemented in 2010-2011 and the second in 2016-2017. In total, across all three phases, 470 vouchers for purchase have been provided. The project is implemented in cooperation with, and through a credit arrangement with, the Council of Europe Development Bank (CEB).

3 Policy debates, proposals and reforms on in-work poverty and recommendations

The main debate regarding policies related to in-work poverty focuses on the level of the minimum wage. The Montenegrin minimum wage is among the lowest in the region, and for several years trade unions have advocated its increase to €250 a month, but without success. Also, some opposition political parties have supported this initiative. Although the government did announce that the minimum wage could be increased in spring 2018, it seems evident after the parliamentary discussion on the 2019 budget that the government will not consider this proposal during 2019. Analysis of the possible effects of the minimum wage increase (Katnic, 2017) showed that it would increase unemployment and overall wage costs for employers, as well as decrease the disposable wage for those employees with partially registered income. In addition, as the tax burden on wages is high, employers were open to discussing a possible minimum wage increase, but only in parallel with changes that would tackle the overall tax burden. However, the unions will continue to push for the increase. One of the major contributions they made to the draft of the Economic Reform Programme 2019-2021 (USS; 2018) was a proposal for a minimum wage increase.

It is expected that the availability of the EU-SILC results will put in focus some issues that are currently not on the agenda, such as in-work poverty. Thus, there is scope for using the EU-SILC survey database to produce and calculate more indicators on the scale and composition of IWP in Montenegro, especially indicators by gender, age, etc.

It is recommended to improve monitoring and reporting by establishing a regular monitoring tool, such as regular progress reports on the IWP in Montenegro. Such reports should be based on the set of indicators that are comparable to those reflecting IWP at the EU level. Such reporting should be undertaken regularly, in order to enable continuity and timely policy response.

The EU-SILC survey and its results should be linked to all other relevant surveys, such as the Labour Force Survey also conducted by MONSTAT; but a higher-level linkage should also be established with administrative data sources and registers, such as the Register of Tax Administration, the Employment Agency of Montenegro, etc.

4 Assessing data and indicators

The available data and indicators provide some overview – though still limited – of IWP in Montenegro. Most of the data and indicators that now exist were not available prior to the EU-SILC survey that provided data for the period 2013-2017. However, despite these improvements in data availability, there are still lots of gaps that need to be filled in order to have broader picture of IWP. This is partially because attention has not been devoted particularly to IWP and to developing additional indicators and collecting and analysing data on IWP.

Existing data provide general information, such as the at-risk-of-poverty rate according to the most common status of activity, including among employed people (both those with an employer and the self-employed); the impact of social transfers on the risk of poverty for people observed by their status in the labour market (including the impact on the risk of poverty of the employed); etc. However, much information is missing. For instance, the influence of the type of work contract on risk is not known, although the assumption is that risk is greater for employees with temporary jobs than for those with permanent jobs. Hence, the indicators regarding the scale and composition of IWP could be improved by calculating these indicators by gender, age, household characteristics, type of contract and working time. The EU-SILC survey can be used to calculate these additional indicators. If the current database covering the period 2013-2017 does not allow calculation of all the indicators mentioned, the survey should be extended to include questions that do allow it. These crossed indicators would enable potential identification of additional subgroups of the employed population that are particularly

affected by IWP. This would also enable more tools to adequately capture and monitor the situation of IWP in Montenegro.

Montenegrin statistics, analysis and research on IWP are still poor when it comes to the inclusion of specific data and changes and their impact on IWP. This may include the impact of changes such as a reduction in wage rates, working hours, work intensity, changes in the tax system, changes in gender or ethnic discrimination, increases in insecure employment and increased labour market segmentation and changes in informal work.

At the policy level, there is a complete absence of regular monitoring and analysis of IWP, and consequently a lack of a timely policy response. There are no specific indicators, and no set of tools has been defined or developed for regular monitoring. Beside modest official data on IWP produced by MONSTAT, there are no significant reports, studies or papers dealing with the issue. Only some reports and surveys (e.g. UNDP, 2016, based on IPSOS's survey on Informal Employment and the Grey Economy in Montenegro) touch on this issue to a lesser extent. There is a lack of academic research and papers on IWP. In order to improve the situation, a set of tools (or comparable indicators) needs to be developed that would allow for analysis and monitoring.

However, the issue of the timeliness of the policy response remains, because it is underpinned by the fact that indicators on IWP are based on the EU-SILC survey, and the latest data from the survey relate to 2017, which means that even these data are lagging. Hence, other data may also be considered in assessing IWP. But there is insufficient linkage between the different statistical instruments available in Montenegro, including both administrative data (not just data from MONSTAT, but also registers of other relevant institutions) and survey data (EU-SILC and LFS).

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