



LOCAL EMPLOYMENT PARTNERSHIP IN MONTENEGRO

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Foreword

This analysis is part of a larger project to support RCC in managing the mutual learning activities among Western Balkan economies under the Employment and Social Affairs Platform (ESAP). ESAP is a regional project financed by the European Commission and jointly implemented by RCC and ILO in Albania, Bosnia and Herzegovina, Kosovo*¹, Montenegro, Serbia and the Former Yugoslav Republic of Macedonia. The project, which began its implementation in 2016 and lasts for 3 years, aims to strengthen regional cooperation and institutional capacities of national administrations, employers' and workers' organizations, enabling them to develop and effectively implement labour market and social policy reforms in their EU enlargement process.

The issue in focus of this particular peer review is the evaluation of local employment partnerships (LEPs), by selecting 2 successful local employment partnerships in Bosnia and Herzegovina. As a result of the assignment, a national report for Bosnia and Herzegovina and 5 short reports are prepared for the other Western Balkan economies. Based on these national and regional analyses, a peer visit will be organized in Bosnia and Herzegovina whereupon officials from the Western Balkans will visit the selected municipalities and exchange views and experiences with the selected partnerships in Bosnia and Herzegovina. The aim of this research is to develop a standardized format for LEP reporting and analyses. It should not solely include the final status of outputs and immediate objectives, but also portray the factors contributing to or hindrances that affect the achievement of results. Furthermore, the aim is to illustrate how the intervention was managed, identify what could have been done differently and what methods or strategies can be replicated in other technical cooperation activities. Following the reports, an inclusive process of consultation among stakeholders, implementing partners and constituents should take place.

The purpose of this activity is to peer review different dimensions of LEP functioning (design, process and results). It addresses the policy performance of selected LEPs in a systematic and objective manner in terms of relevance, effectiveness, efficiency and strategic approach. The evaluation assesses the relevance of the approach, and is based on the following goals:

- to analyse the approach as well as to identify the extent to which the LEP has defined and approached its planned objectives,
- to identify the extent to which its strategy has proved efficient and effective,
- to identify the extent to which an anticipated long-term impact and sustainability can be expected, and
- to identify and document substantive lessons and good practices.

The peer review of different practices should be used as a knowledge base for developing future LEPs in Bosnia and Herzegovina, and in turn the Western Balkans region. A thematic evaluation of the Local Employment Partnerships as structural policy instruments

¹ * This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

is planned. The following elements and topics will be the consultants' focus throughout the research.

Summary

Since 2013 the economy of Montenegro has returned to robust annual growth rates. One of the major challenges is the uneven development of its three geographic regions: northern, central and coastal. The average unemployment rate in the coastal region is 9%, in sharp contrast with 36.1% in the northern region. As a result, there is significant regional variation in employment and unemployment indicators.

There exists a continuous commitment of the Montenegrin Government to solve regional disparities, under the leadership of the Ministry of Labor and Social Welfare (MoLSW) and Public Employment Service of Montenegro. One key policy measure is the continuous implementation of the active labour market policies (ALMP). The Law on Local Self-Government² stipulates that the municipality, in accordance with the law and other regulation, shall participate in the provision of conditions and improvement of sectors of employment and other sectors of interest for the local population (Articles 32 and 39).

EU has financially supported a number of policy pilots in selected municipalities in the north of the country in order to determine the design, funding and management processes for promoting local employment initiatives. Under the EU support framework, local employment partnerships were established in 4 municipalities in northern Montenegro (Pljevlja, Bijelo Polje, Mojkovac and Berane).

Given the pilot nature of this activity of the project, a limited number of project proposals from the 4 municipalities were pre-selected to participate in the project (a maximum of 3 projects per municipality).

Monitoring and evaluation activities related to LEPs are solely related to donor requirements, and in line with their timelines, conducted by external experts and project teams. Capacities at the local level for the dissemination of local partnerships, their monitoring and evaluation do not exist or are not utilized.

² "Official Gazette of the Republic of Montenegro", No. 42/2003, 28/2004, 75/2005, 13/2006, 88/2009 and 3/2010

Introduction

Since 2013 the economy of Montenegro has returned to robust annual growth rates. The unemployment rate in Montenegro has been 18.42% in June 2018. It averaged 17.31% from 2002 until 2018, reaching an all-time high of 31% in April of 2002³.

Graph: Unemployment in Montenegro

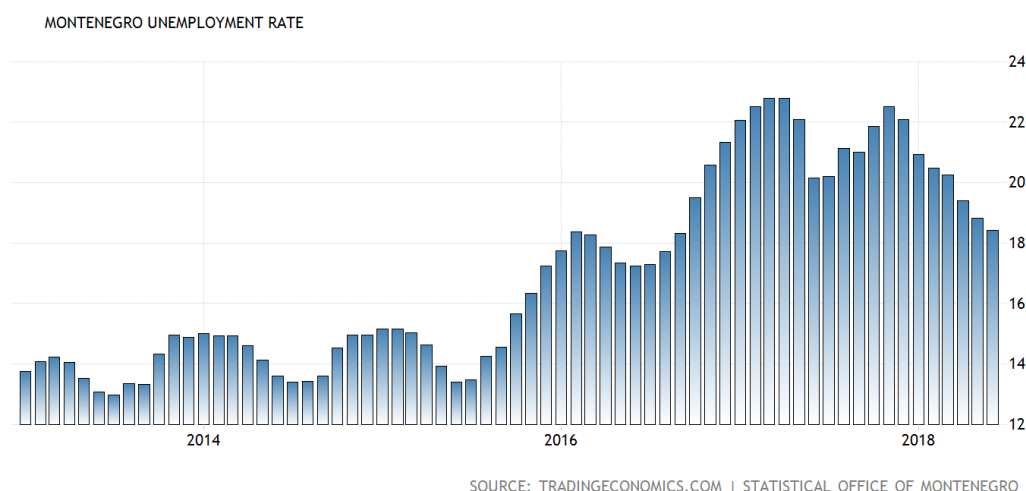


Table: Key Labor Market Indicators

	2018	Unit
<u>Unemployment Rate</u>	18.42	percent
<u>Employed Persons</u>	196539.00	
<u>Wages</u>	767.00	EUR/Month
<u>Minimum Wages</u>	288.05	EUR/Month
<u>Population</u>	0.62	Million
<u>Long Term Unemployment Rate</u>	12.30	percent
<u>Wages In Manufacturing</u>	603.00	EUR/Month

Growth has been hampered by large public debt, at both the national and local government levels, while a large volume of non-performing loans, increased interest rates and reduced access to credit for the private sector and consumers. Montenegro also suffers from a mismatch between the provision of the training and education system and the needs of the labour market, resulting in high levels of structural unemployment. It has been a persistent challenge for Montenegro to turn economic growth into increased employment, particularly

³ <https://tradingeconomics.com/>

for young people, resulting in years of “jobless growth”. There is a very large informal-sector economy, which employs large segments in jobs that are precarious, seasonal and unregulated, with high social risks.

One of the major challenges that characterize the labour market in Montenegro is the uneven development of its three geographic regions: northern, central and coastal. The average unemployment rate in the coastal region was 9%, in sharp contrast with 36.1% in the northern region. This is primarily due to the fact that the available development resources of the regions were used in an inadequate and uneven manner in the past few decades, which in turn has resulted in an outflow of the population from northern region, and also in a significant regional variation in employment and unemployment indicators.

Migratory movements and outflow of the labour force from the northern region towards the central and coastal regions also resulted in a decline in economic activity of the northern region in the last two decades, as well as in a strong depopulation of rural areas. Furthermore, along with the strong seasonal nature of employment, the prominent specificity of Montenegro is the employment of foreigners (mostly in tourism, agriculture and construction).

Organizational Structure

Legal Status

There is a solid legal base to implement local employment partnerships in the field. The continuous commitment of the Montenegrin government exists, represented by the Ministry of Labor and Social Welfare (MoLSW) and Public Employment Service of Montenegro (PES)⁴ to implement active labour market policies (ALMP) as envisaged by the Law on Employment and Unemployment Insurance and the National Employment Action Plan. In addition to the Law on Employment, obligations for employment are identified on the local level as well. The Law on Local Self-Government⁵ stipulates that the Municipality, in accordance with the law and other regulation, shall participate in the provision of conditions and improvement of sectors of employment and other sectors of interest for the local population (Articles 32 and 39).

Within the framework of the Government of Montenegro, MoLSW is responsible for the overall coordination of the implementation of the HRD Strategy and monitoring the effects by establishing the National Employment and HRD Council⁶, which consists of representatives of:

- Ministry of Labour and Social Welfare,
- Ministry of Education,
- Ministry of Economy,
- Ministry of Science,

⁴ Official title of the institution: Zavod za zapošljavanje Crne Gore

⁵ “Official Gazette of the Republic of Montenegro”, No. 42/2003, 28/2004, 75/2005, 13/2006, 88/2009 and 3/2010

⁶ Official title of the council: Nacionalni savjet za zapošljavanje i razvoj ljudskih resursa

- Ministry of Sustainable Development and Tourism,
- Public Employment Service of Montenegro,
- Statistical Office - MONSTAT,
- Vocational Education Centre,
- Directorate for Development of Small and Medium Enterprises,
- representatives of social partners such as the Montenegrin Employers Federation, Union of Free Trade Unions of Montenegro, Confederation of Trade Unions of Montenegro, and the representatives of the non- governmental sector.

Employment and HRD Action Plan is a document prepared once a year by the Ministry of Labour and Social Welfare, in order to operationalize National Employment and HRD Strategy. The Action Plan is a set of measures and activities that are identified as necessary to improve labour market outcomes and harmonize it in line with EU guidelines.

To address existing challenges, MoLSW intends to develop a localised approach to addressing unemployment, with greater emphasis in supporting local communities in finding local solutions. This move towards greater decentralisation of employment services through more structured cooperation with local communities and businesses, underscores the increased awareness of the Montenegrin authorities and social partners of the cross-cutting nature of employment policy. It represents an important step in accommodating the ‘local’ dimension of the EU employment strategy.

As a result, the Montenegrin authorities decided to implement the EU project Labor Market Reform and Workforce Development (MRWD) within IPA 2008, which aimed to develop a number of policy pilots in a selected number of municipalities in the north of the country in order to determine the design, funding and management processes for promoting local employment initiatives. PES of Montenegro, under the auspices of the MLSW, has carried out efficient active labour market measures over decades, but its outreach is limited. According to some estimates, only around 20% of registered unemployed people benefited from the training provided under these measures.

MRWD aimed to strengthen activities related to employment, labour market and development of local initiatives for employment with the aim of reducing regional disparities, networking and empowering of local labour market stakeholders. Local employment partnerships were established in 4 municipalities in the northern Montenegro (Pljevlja, Bijelo Polje, Mojkovac and Berane).

Membership

The survey conducted among LEP Nikšić, Pljevlja, Berane, but also reports of the MRWD project show that conclusions on the typical composition of the membership of LEP cannot be drawn. Based on best practices, the recommendation of MRWD is to include the following stakeholders into the local partnership:

- local employment office,
- educational institutions,
- social partners,
- civil society,
- entrepreneurs,

- regional development agencies.

There is a recognized need to additionally strengthen the role of local employment partnerships, to increase their visibility, capacities to identify labour market needs, including collecting data, better networking among educational institutions at the local level and improvement of inter-sector cooperation.

Strategic approach

Goals and priority areas

As part of its wider policy of seeking EU candidate country status, Montenegro has aimed to integrate key features of the EU's employment strategy within its own National Employment and HRD Strategy (2007-2011). The Government continues to focus on policy development related to the structural reforms, defined through the current National Employment and HRD Strategy (2016-2020), that represents continuation of efforts during planning periods 2007-2011, and 2012-2015.

The Montenegrin Strategy of Regional Development (2014-2020) has identified as one of the priority areas (1.5) Development of the Local Partnerships in Combating Unemployment.⁷ Latest available **Action Plan of Employment and Development of Human Resources for 2016**, identified measures and activities focused on the achievement of priorities and goals defined by the Strategy, based on the need to address current labour market challenges in order to mitigate consequences of the negative trends. The Strategy has defined three main priorities that will address the main labour market challenges:

1. **Increasing employment and reducing the rate of unemployment**, goals and measures are focused on:
 - stimulating job creation and competitiveness by enhancing business environment,
 - increasing efficiency of the active employment policy measures – with special emphasis on the long-term unemployed, unemployed youth and unemployed women,
 - stimulating employment in undeveloped parts of Montenegro.
2. **Efficient functioning of the labour market:**
 - Harmonizing with European employment and social policy legislative framework,
 - Promotion of the flexicurity and less rigid legal employment protection,
 - Encouragement of legalization of the informal work.
3. **Improving qualifications and competences aligned with the labour market needs** is focused on:
 - promoting adults' access and participation in lifelong learning,
 - improving the quality of education at all levels and adjusting the education system to labour market needs.
4. **Promoting social inclusion and reducing poverty** is focused on:
 - improving the system of social benefits and social services,
 - integration into education and employment of the disabled persons,
 - integration of vulnerable groups into labour market.

⁷ Strategija regionalnog razvoja Crne Gore 2014-2020, available at <http://www.mek.gov.me/ResourceManager/FileDownload.aspx?rId=173411&rType=2>

The EU intention is to develop Human Resources Development Strategies for 11 new LEPs in Montenegro, and to develop their goals in line with the already identified needs of the local labour markets (creation of new jobs, increase of employability, reduction of inequality).

The partnerships, strategies, action plans and strengthening of capacities through this activity, will be harmonized with the local and national goals and EU goals in the labour market area, but also with the national priorities related to regional development.

As one of target groups, especially difficult to employ, are unemployed Roma. Officially, the number of registered unemployed who declared voluntarily their ethnicity by the end of May 2017 was 1847, of which 815 are Romani women.

Financing

The partnership in the implementation of the active labour market policies at the local level in Montenegro has been tried within the EU funded project “Labour Market Reform and Labour Force Development”. Four municipal local employment partnerships have been established (Pljevlja, Bijelo Polje, Mojkovac and Berane). Within these partnerships, local employment strategies (2011-2015) and action plans for 2011 have been adopted. Following that development, the project supported the establishment of the PES Working Group for initiation of the Grant Scheme for implementing local strategies and action plans. The overall value of the grant scheme was EUR 470.000 and 16 local projects were implemented mainly related to retraining or education of unemployed persons⁸. Based on this experience, the EU goal was to establish additional local employment partnerships in 11 municipalities based on situation analyses and requests to strengthen the 4 already established partnerships.

The financial support for the implementation of the projects emanating from the local employment partnerships and endorsed by the National HRD Committee was administered through a service contract between the donor and service implementer.

Given the pilot nature of this activity of the project, a limited number of project proposals from the 4 municipalities were selected to participate in the project (a maximum of 3 projects per municipality). However, all projects were subject to quality criteria before decisions were taken on the financial support: the regional/municipal economic context, the characteristics of the labour market and an assessment of the education and training system. Financial limitations for projects were that the project cannot be below 50.000 or above 100.000 EUR.

In planning the implementation of the HRD strategy, an important source is the (Employment and HRD) Action Plan for 2018 that defines active labour market measures to be implemented, and whose financing has been proposed within the proposed Law on Budget of Montenegro. The responsible institution for its implementation is PES of Montenegro. This year EUR 11,100,000 are allocated for the Action Plan implementation, out of which EUR 8,000,000 will be transferred for vocational education. Although it represents a significant effort of the government to battle unemployment, local actors (besides local employment bureaus) are not involved into planning, development, or implementation of the Action Plan.

⁸ 438 persons trained on the basis of educational programmes accredited at the national level for acquiring educational titles in cooperation with 15 education providers certified at the national level

The budget for active employment measures for 2017 is the same as for 2016, around EUR 2.8 million, out of which EUR 50.000 for measures for Roma. Measures for the employment of Roma include vocational training and education and public works.

Implementation Mechanism

In order to set up institutional arrangements at national and local levels for the functioning of local employment partnerships, the project implemented several steps:

- Institutionally defined project teams, from national to local level,
- Elaborated procedures, criteria and operational materials for local employment,
- Developed projects for employment and supported their fast implementation at national level.
- Technical support provided to representatives of local partners within the four municipalities on the design and implementation of active labour market measures for specific target groups (long-term unemployed, youth unemployed, women unemployed, redundant workers, minority communities' and refugees, small enterprises demonstrating expansion of activity).

The implementation mechanism has been conducted within MRWD project framework, with the goal to provide specific support to the development of active labour market measures promoting decentralisation. It builds on an already well established capacity of PES Montenegro in the design and management of active labour market measures in the selected municipalities, Pljevlja, Berane, Bijelo Polje and Mojkovac. Municipalities have been selected based upon the following criteria:

- Lowest employment rate,
- Highest unemployment rate and
- Lowest GDP growth rate.

The program has also been defined in line with the national policy to decrease regional economic disparities between north and south.

The implementation encircled two stages:

1. Inclusion into training programs of different groups of vulnerable persons, including the preparation for employment and training (motivational seminars, workshops, etc.).
2. Training of 400 people to increase their prospects in the labour market.

The needed training programs were defined in line with the national employment policy established by the MoLSW (National Employment Strategy 2007-2011), and in line with the analyses conducted by the PES: Training Needs Analysis, Analysis of Deficit Occupations and Employers' Survey. Such analyses identify deficit occupations in the labour market, both at national, local and regional level.

The representatives of NGOs took part in the design of the programs, since they have also been previously providing great contribution to education and research of specific categories of difficult to employ persons (Roma, refugees, internally displaced persons, women violence victims, persons with disability, etc.).

Training programs were organized for the candidates mainly for the in-advance known employer. They were implemented through the training centre (that coordinated the work in

all 4 municipalities) and through private providers selected by PES based on a public tender. Despite the successful implementation of the project, the questionnaire filled in by Municipality of Berane during 2018 showed that systems and practices in place are very weak, and that sustainability is not achieved.

Monitoring and Evaluation

For the previous year, an annual report on implementation of the (Employment) Action Plan has been submitted by the Ministry of Labour and Social Welfare to Government of Montenegro by April 30. This is a legal obligation, defined by the Law on Employment and Unemployment Benefits⁹.

Monitoring and evaluation activities related to LEPs are solely related to donor requirements, and in line with their timelines, conducted by external experts and project teams. Capacities at the local level for dissemination of local partnerships, its monitoring and evaluation do not exist or are not utilized.

Conclusions

Montenegro has well embedded strategic framework and harmonized approach with EU, including PES that is capable to implement active labour market measures, monitor its implementation and evaluate its effects on regular bases.

Having in mind the huge territorial disparities in terms of economic development, it is of utmost importance for Montenegro to work on balanced economic development, where local stakeholders have to be involved. Local employment partnerships are recognized as potential policy tools to strengthen balanced economic development. Still, their implementation in practice is limited.

In its report 'Sectorial operational programme for Montenegro on Employment, Education and Social policies 2015-2017'¹⁰, the EU highlights the lack of constructive partnership (social partners, civil society) for investment in training and increasing the employability of the unemployed and inactive, as well as the adaptability of the employed especially at the local level. Montenegro is in need of rudimentary steps in partnership development, such as:

- To link all relevant stakeholders in a local community, who can contribute to a better matching of local needs and to the reduction of local disparities related to employment and unemployment;
- To develop an institutional and legal framework for partnership-based development of human resources at the local level;

⁹ Montenegro Official Gazette 14/10, 45/12, 61/13 and 20/15

¹⁰

https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/montenegro/ipa/2015/ipa_2015_2017_037895_me_sectorial_operational_programme.pdf

- To strengthen capacities of local stakeholders for the development and implementation of local labour market policy.

There is a need to reinforce capacities of the MoLSW and municipal levels to design new measures and assess their effectiveness; assist the PES in upgrading the relevance and efficiency of their delivery in underdeveloped regions; and test new approaches, especially for the marginalised and disadvantaged groups.

List of abbreviations

CARDS – Community Assistance for Reconstruction, Development and Stabilisation

EU – European Union

HRD – Human Resources Development

IPA – Instrument for Pre-Accession

LEP – Local Employment Partnership

MRWD – Labor Market Reform and Workforce Development

PES –Public Employment Service

ESAP – Employment and Social Affairs Platform

MoLSW – Ministry of Labor and Social Welfare

ALMP – Active Labour Market Policy