

Country Evaluation Report: PES Montenegro

Milika Mirkovic, National Expert for Montenegro

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1. INTRODUCTION

This report outlines the results of the Benchlearning (BL) external assessment of the public employment services (PES) of Montenegro. The external assessment i.e. site visit was organised on the 11-13 December 2017. Representatives of PES were deputy director and managers of the different sectors, as well as director of the local office in capital Podgorica. Also, eight PES staff from Bosnia and Hercegovina, Montenegro and Serbia, expert from Croatia, national experts for Serbia and Montenegro and expert from RCC consisted the evaluation team. The programme of the 2.5-day visit included meetings in the headquarters of Employment Agency of Montenegro (EAM) and in local office in Podgorica.

Employment Agency of Montenegro (EAM) is organized as a public service with a legal entity under jurisdiction of Ministry of Labour and Social Welfare (MLSW). The method and procedure for the exercise of the rights of unemployed persons, functions and authority of the EAM, decision-making authority of the EAM, the principles for the internal organization of the EAM and other issues of importance to the EAM are more precisely outlined by the governing statutes of the EAM, which was drafted by the Ministry. The bodies of the EAM are Steering Committee and Director, appointed by the Ministry. Members of the Steering Committee are: representative of Government of Montenegro, representative of the Union of Employers of Montenegro, representative of trade union and representative of Employment Agency of Montenegro. The Steering Committee was constituted on July 2015 with four-year mandate.

The EAM carries out its activities within the framework of the Central Service, the Bureaus of Labour and Offices. The Department of Employment within the Central Service governs the operations of 7 bureaus and 18 local branch offices.

Beside registration of unemployed and job exchange, EAM conducts other activities, such as administration of benefits for unemployed, professional rehabilitation of less employable persons, Issuance of work permits for foreigners, Research on labour market trends and preparation of analytical and informative basis for the determination of employment policy, creation and implementation of ALMPs (manage training programmes or subcontract them) etc. Total number of employees in EAM (including all units) is 320 (2016). Of the total number of employees in regional and local bureaus and offices work around 70% of employees, while 30% of employees work in Central Office in Podgorica. Counsellors make majority of employees in employment bureaus and offices (around 65%). However, compared to the total number of unemployed indicates that workload is presented. Comparison of number of unemployed per counsellors indicates that the

average number of registered unemployed persons per counsellor amounts around 800. In addition, all counsellors are well educated and trained since all employees passed numerous training courses.

In order to achieve goals, EAM establishes partnerships with employers, NGOs and other actors at labour market. The National Strategy for Employment and Workforce Development defines main goals and priorities for labour market development. Activities and goals are elaborated on a yearly level through Action Plans for Employment and Work Programme of PES. Namely, general goals of National Strategy were transferred to EAM and its Work Programme which defines aims of PES, as well as activities and measures in order to achieve PES's and overall goals. Based on Work Programme, PES defines targets for all regional and local offices. Also, target setting is based on labour market analyses and includes all branch units of the PES

EAM is financed from the central budget. However, when the budget is approved for the fiscal year, EAM has autonomy in spending money on ALMPs. In the period from 2010 to 2016, total budget of EAM decreased. In the recent period, Professional Rehabilitation Fund has been established within the Employment Agency to support the labour market inclusion of disabled workers.

2. CONTEXT

Montenegrin labour market is highly dependent on the economic performances of the country. Montenegrin economy is small opened economy that is sensitive on external shocks and global market fluctuations. The Montenegrin economy is characterized by moderate growth from 2011 to 2016, with a downturn in 2012, caused by an unstable economic situation, (GDP decline of 2.7%), followed by a recovery period, driven primarily by investments and services in the tourism sector.

The global crisis has shown all the sensitivity and vulnerability of the Montenegrin labour market, i.e., the mismatch between labour market supply and demand. This has imposed a need for changes in the legal and institutional framework, as well as the need for innovative policies and a holistic approach to the labour market. It is therefore necessary for Montenegro to further strengthen employment, education and training policies, as well as the social protection system, through the increase of the working population and the reduction of structural unemployment. Equally important is the implementation of the principles of flexicurity and enabling people to acquire new skills in order to adapt to new conditions and potential changes in occupation. However, this requires strong institutions with adequate capacities to cope with the abovementioned.

Labour market in Montenegro is characterized by the low level of activity, relatively high level of unemployment as well as mismatch between labour supply and demand. In 2016, unemployment rate was 17.7%, while the unemployment rate for youth is above the average and was at the level of 35.9% in 2016 (Labour force survey, MONSTAT). Beside high youth unemployment, the big problem of Montenegrin labour market is long-term unemployment. In total 63% of unemployed people wait for a job longer than two years, and 76% longer than one year.

On the other side, employment rate was 52% in 2016, while activity rate is 63.4%. The service sector is the most important sector for employment (around 75% of the total employment). Out of total number of employment, 18% is related to industry and 8% to agriculture.

Contrary to supply, labour demand has decreased in recent period. In 2016 it was lower by 10.4% compared to 2015. Analysis of the demand structure shows that the highest shares go to tourism, trade and construction sector. In addition, analysis of labour market trends shows that labour demand has increased for the unqualified and semi-qualified labour force. Also, demand for the employment by permanent contracts decreased in period 2008-2016 from 27% to 9%.

Important issue of Montenegrin labour market is seasonally employment of foreigners from ex-Yugoslavia. Although in 2015 and 2016 employment of foreigners significantly lower than in 2013 and 2014, it is still present to a significant extent. There are many causes of this phenomenon, such as deficit in the supply of certain occupations in construction and catering. However, high unemployment in regional countries gives opportunity to satisfy needs of labour market and in volume and structure.

The framework for the future implementation of the employment policy is defined in the National Strategy for Employment and Human Resources Development 2016-2020, which is in line with the commitments of the EU accession process, i.e. the Europe 2020 Strategy.

In the following period, measures should be implemented relating to strengthening active labour market policies in order to increase their effectiveness, focus, scope, areas that cover an individual approach, which will result in the employment of, in particular, young and vulnerable groups. Also, implementation of activities is planned towards greater inclusion of persons with disabilities on the labour market. To achieve this, structural reforms are also necessary which also means further creation of legal preconditions for the full implementation of reform measures. Therefore, new laws will be prepared and adopted such as the Labour Law, the Law on Mediation in Employment and rights during unemployment, the Law on Vocational Rehabilitation and Employment of Persons with Disabilities etc.

3. STRENGTHS AND WEAKNESSES

PES recorded the highest score in Implementation of support structure (B2), Individual action plan and ALMP-measures (C3), Management of partnerships with supervising authorities (F3) and Budget allocation in use (G2). On the other side, weaknesses has been mostly identified in the filed related to strategic performance management (Section A), as well as Evidence-based design and implementation of PES services (Section E). The self-assessment process showed also high level of awareness among PES representatives regarding abovementioned strengths and weaknesses.

The identified strengths and weaknesses of PES Montenegro are presented and discussed in the following part.

3.1. Strengths

The key strength of PES is related to human capacities, i.e. staff. PESs' staff are clearly motivated and confident to make further development of the PES into highly successful and efficient institution. There is high level of motivation of staff who are open-minded to actively deal with the challenges ahead. In particular, at the local level, the sense of responsibility for services provided and the team spirit are strong assets. However, it seems that there is still underused potential for improvements, which could be exploited in order to accelerate reforms. Overload of staff (due to high number of unemployed persons and other users of services such as employers per counsellor) shows strength and huge potential of staff. In addition, staff development and training are being conducted through internal training scheme. Namely, sector for the human resources creates particular document - plan and training scheme, based on previously conducted internal controls. Internal and external trainings are organised as part of regular activities of PES.

PES has clearly defined aims which are derived from the National Strategy for Employment and Human Resources Development for the period 2016-2020, adopted by the Government of Montenegro. This Strategy identifies the main challenges and the important steps that have already been initiated. It links an analysis of economic and political development to the objectives of the PES and identifies the necessary changes to achieve them, which is further developed in the Annual Work plan for PES.

Furthermore, one of the important strength of PES is related to operational processes. Namely, operational processes are well defined and they cover essential parts of the operations. PES has adopted a Book of Procedures. This document, as well as the process of defining it is a good example of how the cooperation between the departments should be established and standardised.

ALMPs are created and organised for the different groups of unemployed, depending on the degree of their employability. Namely, PES groups unemployed into three categories (immediately employable, conditionally employable and hard-to-employ persons) and defines specific employment measures for each group.

Regarding the internal structure and organisation, there is very good cooperation between the units (at the central and local level) dealing with unemployed persons and cooperation with employers. This enables better flow of information and employment mediation.

Good cooperation between units and transmission and availability of information and data is supported by well-developed ICT system. In this regard, there is a large number of software applications that cover all segments of employment mediation. Program applications and databases are centralized at the national level, thus ensuring the unity of real-time data, which are available to all levels in PES. In addition, the ICT department under PES, which develops and creates new applications and upgrades the existing platform, adapting to the demands and changes of the business.

3.2. Weaknesses

Besides strengths of PES, there are areas with potential for further improvement.

The National Strategy is a solid reform concept touching the right topics, but it would be important for PES Montenegro to develop their own development strategy in order to have a better impact. There is a well-established top down structure, but not sufficiently balanced by bottom up structures. The impact of program could be improved by mobilizing the staff and making them an active part of the transformation process. .

The PES has taken some steps towards performance-based management in its analysis of targets and indicators. However, targets need to be more focused and it is evident that the majority of the staff does not know them. A restricted number of targets focusing on crucial outcome accompanied by a distribution of relevant data amongst employees and to the entire organisation could improve management and help increase efficiency. Further development of processes, methodology, etc., to improve performance would also provide a more stable foundation.

The systematic, regular evaluation of activities and measures is missing and this is, which is recognised by employees, as well as by external assessors. Further development of design and delivery of services for jobseekers and employers should be more evidence-based by the systematic use of the results of ex-ante and ex-post evaluations, the performance management and the quality management outcomes.

Due to a higher caseload of counsellors, it is important to start developing blended services for both client groups, such as on-line support. The current approach of face-to-face dealing with the big number of jobseekers is not efficient so the clients who are closer to the labour market should be moved to other channels of service provision.

In Montenegro, employers are obliged to notify the PES of vacancies and publish them even if they do not need PES support in recruiting. This working practice allows the EAM to have insight into all jobs but on the other hand, it burdens them with administrating the vacancies. To successfully exploit the economic recovery of the country for the sake of job seekers and employers, the PES might want to further invest into employer relations and services to regain trust and confidence as an organization as a prerequisite to attract a bigger number of vacancies. For only 24% of vacancies the mediation is required by employers. To increase efficiency of PES in relation to employers, segmentation and connecting services to each segment of employers is recommended as well as the more pro-active employer approach.

Lack of financial resources is recognized as a weakness of the PES. Budget constraint is reflected in two aspects: centralised financing of the budget and insufficient budget for implementation of ALMPs. Although the budget is defined by Budget Law, PES has autonomy in budget distribution and spending. Social security contributions for unemployment are included in the national budget, not in the PES budget.

4. POTENTIAL GOOD PRACTICES

The strengths outlined above are supported by potentially transferable good practices. These include the following:

- ***Internal PES document for work procedures - Book of Procedures***

PES carries out the bottom-up element in designing Annual Work Plan, as well as establishing core procedures - Book of Procedures. Namely, PES adopted Book of Procedures, which defines guidelines for more efficient work of the employees, i.e. it defines every step in the realization of the set goals, guidelines for the more efficient work of staff, responsibilities and deadlines. Therefore, in order to implement the system of financial control and management and in order to improve the work and reduce the risk of implementing activities in the PES, a set of internal procedures has been set up with a view to cost-effective, efficient and effective use of the budget. The Book of Procedures is adopted at national level. Since it defines very well all above mentioned, it is planned to develop it at the level of local offices. It is very important to note that this document is good base for developing and introduction of procedures for the work (description of the processes, tasks, duties, responsibilities etc.).

- ***EURES***

PES Montenegro has established department for EURES (European Employment Services). Namely, in order to fully harmonize own methodology with the methodologies of work of the public employment services in Europe, PES has established the EURES Department and international mediation. Therefore, through this department PES supports legal labour migration and assists Montenegrin citizens in finding jobs abroad. PES started active co-operation with the Federal Employment Agency of Germany and the institution within the framework of this agency engaged in the employment of foreign workers. EURES is example of good practice that could be enforced in the other PES in Western Balkan countries.

- ***Mediation and matching process***

One of the positive examples is related to mediation and matching process. The overall process is consisted from the process of pre-selection, selection and placement of candidates. Such methodological steps enable good targeting of unemployed, their appropriate categorization and consistency and devotion to candidates during the entire cycle. Through the process, PES has established monitoring.

- ***Established cooperation with other institutions***

PES has established close cooperation and partnership with other institutions regarding data exchange. Namely, PES database is regularly (on daily basis) updated with database of Tax Administration, Health Fund, Pension Fund, Centres of Social Work etc., which enables better employment mediation. Exchange of data between PES and other institution contributes to the quality of work.

- ***ICT System***

PES has very developed ICT system, which is adaptable and easy to use. It is characterised by interoperability of ICT supporting structures and connectivity of ICT applications of different work processes. It consist different applications which enable counsellors easier mediation i.e. cooperation with employers, unemployed persons (profiling, segmentation, development of Individual Employment Plans, matching between vacancies and jobseekers, etc.) PES has its own ICT unit which develops and upgrades ICT system.

- ***Holistic profiling***

Holistic profiling of the unemployed is well established. In addition, during the development of Individual Employment Plans, PES involves psychologists, especially for the long-term unemployed persons.

- ***System of staff's performance evaluation***

According to the Law on Civil Servants and Employees, system of evaluation of employees is developed. In addition, there are certain financial initiatives of employees. Namely, based on work performances, there is a possibility of financial stimulus of employees during the year. The amount varies from the year to year, depending on the budget.

5. RECOMMENDATIONS

The representatives of PES showed high level of awareness on the importance of identifying main strengths and weaknesses and recognizing space for further improvement. Hence, the following recommendations are the result of the entire research process, and their formation was highly supported by quality discussions through the mentioned workshops and evaluation visits.

5.1. Short-term and relatively less costly

1. On-line services. There is scope for the improving the interfacing of processes through the harnessing of existing resources within the ICT systems. Focus on the on-line services that will help in reducing counsellors' burden should be considered. In this regard, there is need for development of on-line databases with options for automatic selection. The good example is VDAB, the Belgian – Flemish PES, that transformed its business model, with IT as a key enabler. Also, there are some other good practices, such as Netherlands, where common registries (e.g. for address information) exist and governments synchronise their databases regularly with these registries.
2. In order to design and provide more effective ALMP it is necessary to carry out an evaluation especially due to the limited budget for ALMP implementation. Liberalisation of active labour market policy measures is highly recommended in the way that PES is allowed to design the ALMPs based on the labour market analysis and needs as well on the results of the external counterfactual evaluations. As good practices on evaluation of ALMPs could be listed Germany, Denmark, etc. In Germany, the TrEffeR system was developed over time to use the data on the performance of different PES measures and inform the development of PES services. The role of TrEffeR is to employ the microanalysis of PES individual measures (at regional, local levels, available by a set of characteristics of programmes and jobseekers) on an ongoing basis to identify the labour market effects of ALMPs. In Denmark, the PES has developed a knowledge bank on what works, containing all known studies on the quantitative causal effects of active labour market policies (ALMPs). The 'bank' is developed and revised in a collaboration with leading researches/scientists in the field of Labour Market Policies. The knowledge database is web-based, providing public access to the information held. The users can choose specific ALMP and the review database provides summary results on the availability and strength of evidence in the field.

3. Consider reducing administrative burden on the staff for the core operational processes such as making legal decision on the registration. Namely, for the EAM's success is crucial that processes of client registration should be more customer-oriented. The process is split into two phases (pre-registration in the info-area and then registration at the counselling session). From the customer's point of view, both jobseekers and employers, there is normally no reason why matching should not start immediately at registration to facilitate immediate (re-)entry into the labour market. Consider re-arranging the registration process in a way that the first contact of jobseekers with PES is immediate registration. The good practices for jobseekers and entire registration process can be found in case of Latvia (developed job search diaries), but also in some other EU countries.

5.2. Short-term, more resource intensive

4. Develop regular evaluation. Evaluation that supports strategic and managerial decision-making should be ensured. There is space for considering the use of pilots before implementing new schemes, initiatives, programmes etc. This may be organised in addition to or instead of ex-ante analysis. It is also recommended that evaluation results should reach the widest possible audiences, including the public, government and all the staff in a client-oriented and user-friendly format. There are also examples of good practices for evaluation process in this way. In Norway, the PES has put a significant amount effort in research and now have over 50 evaluation projects ongoing. So, the PES has established a firm knowledge base in some areas. In Belgium-VDAB, piloting and evaluation is an ongoing process that is anchored in their approach. Timing of evaluation activities is perceived as key by VDAB so that evidence can be built accordingly, and it can be presented in a timely manner to help shaping the political discourse.
5. Defining special strategy in relation to employers. It implies proactive attitude for employers. Also, it is recommended to classify employers into different segments and link each type of employer with tailored services, distinguishing the mainstream services (e.g. publishing vacancies and job matching) from specific services (such as recruitment drivers, training etc.). Enhance services for the demand side of the labour market, through systematic co-operation with employers' associations, Chambers etc. In some countries Employer Relations Unit is established within PES. The number of PES that provide services to employers using staff exclusively dedicated to this purpose has been steadily increasing since 2014. Particularly strong increases occurred in Bulgaria, Croatia, and the Netherlands.
6. Econometric model for profiling. Development of an econometric model for employability estimates. In a further perspective, a system for assessing the competences of the unemployed should be developed. The examples of models' use in profiling is for instance Ireland who developed and used a variety of indicators, through the Pathways to Work 2016 - 2020 programme. Also, statistical models in profiling are used in Croatia, Netherlands, etc.

5.3. Long-term, but relatively less costly

7. Strengthen planning dimension, especially at local level. Work Plan of PES at national level should set down at the level of local branches or local branches should adopt its own work plan which will be derived from the Work Plan of National PES.

8. The highly centralised approach in Budget is understandable but better practice may be to reintroduce managing its own Budget, which will allow more local flexibility in budget bids, particularly in relation to ALMPs. Development, as far as possible, decentralised model of PES financing. This model implies financing the local branch based on its performance with the involvement of local self-government in funding programs and measures of active employment policy. In addition, it is recommended to revisit the scope for regional budgetary flexibility as was the case in the past and consider a system where close monitoring of regional spends would allow for a reallocation across regions of underspend to areas in need of more funds. Lithuania reorganised the allocation of PES resources so that the planning and distribution of the budget is now based on the PM system and corresponding indicators. It is expected that this will increase the effectiveness of PES budget planning and distribution.

5.4. Long term and costly but important

9. Establish a performance management system. In this context, regular performance dialogues between management, local offices, and employment counsellors should be established. Furthermore, establishing a system to ensure that targets are result-orientated ads up to the efficiency of PES. In this regard, Work Programme of PES should be oriented to indicators and goals: defining measurable indicators, determination of performances of the individual local offices and its rankings in order to measure differences between their performances and fulfilment of goals, calculation of the one composite indicator/index which would encompass the effect of all local branches. In addition, considering local labour market characteristics when target setting is recommended. Introduction of performance management in local jobcentres in Germany has had the unintended positive effect of helping to coordinate multi-level governance. The establishment of PM system in some other countries such as Austria, Estonia, etc. had positive effects on the efficiency of governance.
10. Partnerships should be further developed by carrying out systematic monitoring and evaluation of benefits. First of all, it is necessary to re-establish and further develop Local Partnership for Employment that will allow local approach for the local labour market issues. This may work even better if there is more local autonomy in local budget. In relation to this, Local Employment Plans should be developed and experiences from the process of developing Local Employment Plans for Mojkovac, Bijelo Polje, Berane and Pljevlja should be used. Additionally, cooperation with local governments should be improved and ensured wide involvement in the adoption and realisation of employment plans.

Summary

Performance management system is based on goals of in Work Programme of PES which are derived from the Strategy of Employment and Workforce Development and Action plans, but not on the goals at the PES level (central and local offices). Achievement of goals is based on monitoring of realised activities and there are no corrective measures, clear roles and responsibilities.

In addition, Work Programme of PES defines activities and targets. Realisation of all activities is monitored at quarterly level. However, there are no clear relation between targets and measurable indicators. Also, local PES offices are not classified by the situation at local labour market and level of local economic development.

Although there is a quarterly report on realized activities, there is no information about how far the PES offices are from the goals and indicators set for the certain office, and how they are ranked in relation to the achievements of other offices.

When it comes to the definition of processes and standardisation, PES Montenegro adopted Book of Procedures, which defines guidelines for the realization of the set goals, guidelines for the more efficient work of staff, responsibilities and deadlines. However, these procedures are set only at central level, but there are plans and initiatives to develop it at the level of local offices. In addition, implementation of support structure, i.e. IT system is well developed. It contains different applications and it is adaptable and easy to use. In addition, PES has its own ICT unit which develops and upgrades ICT system.

In relation to Individual action plans and ALMP-measures, holistic profiling of the unemployed is in place and it is well established. In addition, during the development of Individual Employment Plans, PES involves psychologists, especially for the long-term unemployed persons. However, it does not cover assessment of persons' competencies while evaluation is mainly related to quantitative aspects.

Implementation of service and activation strategy mainly refers to the process of implementing ALMPs. The specific implementation of services is supported by policies, in which there are clear guidelines in terms of content, methods and forms of providing services and products, as well as the conditions and criteria under which external service providers could be engaged in the implementation of certain program activities. In addition, degree of program flexibility at the local level is quite low.

There is no specific strategy in relation to employers. Cooperation with employers is based on legal obligation (e.g. employers are obliged to notify the PES of vacancies and publish them even if they do not need PES support in recruiting). In each PES, there is unit (at central level) or specific person(s) (at local level) who are dealing with employers. However, there are no systematic monitoring of work efficiency of these units/persons. When it comes to the matching of vacancies and jobseekers, there are no online services in place.

The systematic, regular evaluation of activities and measures is missing. PES regularly conducts monitoring of implemented activities, but does not conduct ex-ante and ex-post evaluation.

PES has cooperation with different stakeholders in order to realise activities and ALMP measures. However, partnership with local governments is not developed.

PES is financed from the central budget. Financing of PES is defined by Law and there is high level of centralisation.