

UNEMPLOYMENT AND LABOUR MARKET IN MONTENEGRO

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Abstract. *Unemployment in Montenegro, without a doubt, represents one of the most severe economic and social problems facing Montenegrin society. The building of the open market economy with dominant participation of the private property and high level of competition is a strategic aim set in front of the economy of Montenegro. The important segment of the whole economic system reforms are also reforms in the area of labour-market development.*

The most visible indicators of the transition recession in the countries of the region are registered in the field of the total economic activity and achieved GDP, and also in the high level of unemployment and the diminishing of the noticed employment. Unemployment is becoming the central economic, social and political question.

The average unemployment rate in 2001 in the EU countries was 8.4 percent, and in the countries, which are in the process of joining with EU amounted 12.5 percent. But, in this group of countries it is different. Hungary, Malta, Cyprus, Turkey and Slovenia have the unemployment rate below the average, while the biggest unemployment is in Slovakia (18.9 percent). Bigger unemployment rate can be seen in the Balkan region. The focus of our analysis is on labour market development and unemployment in Montenegro.

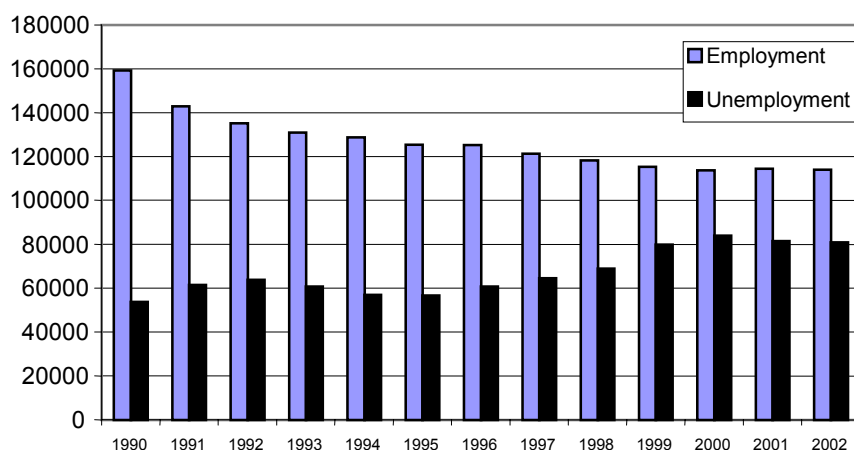
1. UNEMPLOYMENT IN MONTENEGRO 1990-2002

The phenomenon of the unemployment, which appears nowadays as the global problem, didn't pass away either Montenegro. On the contrary, according to its own dimensions, structural characteristics and implications that brings with it, for a long time, it presents a serious social, economic and also political problem.

Unemployment can be present as open (registered) and as hidden unemployment. That means that it has negative consequences, on unemployment people, as well as on the firms and effectiveness of the economic system on the whole, appearing in the same time as the result and consequence of the current model and characteristics of development.

The common economic and social movements had indirect effect on condition and movement on the labour market and also in the area of employment in Montenegro, and the main characteristics on the labour market are still under the influence of negative tendencies carried from the recent period.

Registered employment and unemployment in Montenegro 1990-2002



Source: Statistical yearbook, Statistical Office of Montenegro, 2002;

The global employment is reduced (except in the private sector), which presents continuing of the long-term tendencies the reducing of employment. In the period from 1990-2002 there was being noticed the constant fall of the number of employers and at the same time the rise of the number of unemployment, which is receiving the character of long-term unemployment.

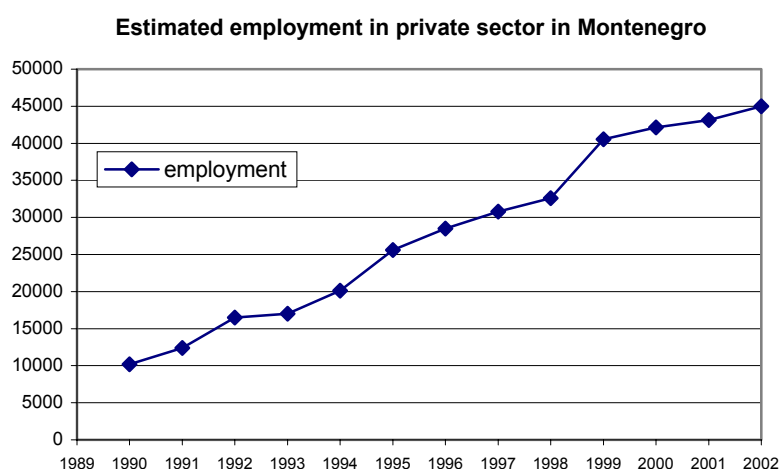
In the period of so-called **transition recession**, which leaves this area very hard, the structural change on the labour market was mostly recession. That means that the structural adaptation was taking part above all by shutting up of current labour places, and very rare by opening the new ones. The available domestic means for financing (as a main factor for the faster employment) were very small because: a) lack of the savings by citizens, b) loss in the companies, c) insufficient dynamic of privatization, while the income of the foreign investments was minimal, and external finance support, donations and credits, have been presented only recently.

In the noticed twelve years period we can see fall of the number of employment for 18.2 percent (44,908 persons) and the rise of the number of unemployment for 51.6 percent (27,726 persons). The ratio of the number of employment and unemployment was reduced from 2.9 on 1.4.

The great unemployment enforced the spread of the poverty in Montenegro. The problem is not only with the capable workers who can't find job, but also with the workers who receive salaries irregularly, and out their incomes they can't afford normal living conditions. The greatest problem is with working incapable persons (mostly older and

invalid persons) who don't have at all or have very low incomes. Those persons are mostly exposed to the poverty. In that way the creation and realization of the current strategy in order to diminish the poverty in Montenegro according to the receipt of the World Bank, will be determined by condition on the labour market.

The positive trend in the observed period represents the raise of the registered employment in the private sector, which raised from 10.200 in 1990 to 29.215 in 2002. If we enlarge this number for the estimated number of the workers in this sector, and also for the number of agricultural citizens we get the following trend:



Source: Questionnaires about SME in Montenegro 1991-2002 and Survey on Labour force 1996-2001.

In small and middle enterprises (SME), and especially in private shops, beside the significant raise, the registered employment is below the estimated. Especially when is considered the number of companies and shops, the kind of activities, as well as the ratio of the number of owners and registered workers in all communities.

Considering that above 55 percent of capital in the companies is private, it can be said that Montenegro approached the critical power of private capital necessary for the creation of the qualitative property structure, which have for the consequence the economic raise and the raise of the economic effectiveness. In 2001, **private sector with 28 percent of registered employment created 37 percent of the total DP of Montenegro**, which speaks about its significant importance, but which doesn't follow the similar trend of the employment raise (Djurovic G.2002.)

The special trend in the raise of the registered workers in the private sector is the main indicator of the private shops. According to the evidence of the number of registered shops (the owner, i.e. one worker), and the number of registered workers in these shops, in 2000 in 6.852 shops worked only 1.950 workers. In 10 communities of Montenegro there is no registered worker in the shops, beside the owner. The same is fact for the former communities in 2001. The raise of the registered employment in the private shops in 2001 is significant -18.2 percent, but with the same differences between municipalities.

As it was presented for the countries of EU and CEEC, in Montenegro we can desegregate the employment rate according to the regional principle, i.e. on the level of municipalities. The survey shows about the differences of the unemployment rate in Montenegro from 17 percent in Zabljak to 46 percent in Mojkovac.

This unemployment rate should be modified, i.e. mitigated, if we observe it according to the level of agricultural product in Montenegrin municipalities (DP of agriculture in Kolasin is 57 percent, in Savnik 77 percent, in Plav 75 percent, in Andrijevića 43 percent, etc.), as well as the level of DP of tourism in the coastal communities.

The cited negative tendencies on the labour market, which are present in the observed period, have negative effects on the market, economic and organizational reforms and also on the economic policy in the following period.

2. THE MAIN STRUCTURAL CHARACTERISTICS OF THE UNEMPLOYMENT IN MONTENEGRO

The unemployment rate, as one of the main indicators, which measures the consistency between supply and demand, presents the best synthetic indicator of the level of social problems beginning as a result of the structural inconsistency on the labour market. In 2002, according to the evidence of the employment bureau of Montenegro, 81.468 unemployed persons are registered. According to this, the unemployment rate, according to the survey of employed persons, is estimated on the level of 21.2 percent. The unemployment rate of females is much higher. According to the poll, it is on the level of 38 percent. The unemployment rate is established according to the ILO and Eurostat standards.

No matter of the source, which is being used, the raise of unemployment is evident, and has different types of demonstration. Beside the unemployment raise, there is also evident the existence of hidden employment (techno-economic surpluses estimated at the more than 10.000 persons), not only in economy, but in public and state services which outgrowing into registered unemployment is just a matter of time. At the same time, as a consequence of transition recession, isolation and sanctions, we have the existence of labour in the informal sector (which goes to 89.000 persons), but also different types of added activities and complex unemployment.

In the wider context under the notion "illegal economy", we can include the following:

- Illegal getting of the property boom by avoiding tax and social givings,
- Juristic and legal workers doing different kind of activities for which are not registered and don't have necessary approval,
- Illegal import of goods, false declarations, turnover of goods and services without evidence in business books,
- Illegal employment without the application of workers for pension and health care insurance
- The work of foreigners without work permits and without application for pension and health cares insurance (in cases in which it is necessary),
- Working activities of the legal persons without the registration in the court register or out of the registered activities in the court register,
- Working activities of the juristic persons without approval or contradict to approval,

- Working activities without decision about the meeting minimal technical requirements,
- Illegal trade of juristic persons with agricultural and other products mostly from the imports,
- Supplying different kinds of services to the citizens in their homes,
- Working other activities without permission (in civil engineering, taxi transport and in hotel management)

The cited different forms of economic activities of the population speak for themselves about the **expressed trend of avoiding paying taxes and fees to the country**. The small finance powers of the country have a direct influence on the possibility of planned active employment policy, as well as on the deficit in the pension fund.

According to the poll about the active workers the category of population over 15 includes economic active and inactive population. The economic active population includes: a) estimation about the number of employment in the every kind of property (based on the contract on labour or verbal contract, on definite and indefinite time, b) unemployed population and c) agricultural population. Inactive population includes the persons with personal income and supported persons. According to the statistic facts for 2001 their structure is the following:

Table 1. Population over 15 year in Montenegro

Population in 2001	Total	Structure (%)
Population over 15 year	475.812	
ACTIVE POPULATION	271.892	57
<i>Workers</i>	176.602	65
<i>In agricultural sector</i>	12.944	5
<i>Helping members</i>	9.865	4
<i>Other active</i>	1.978	1
<i>Unemployed</i>	57.536	21
<i>Temporary active</i>	12.967	5
NONACTIVE POPULATION	203.921	43
<i>Income recipients</i>	84.632	42
<i>Dependants</i>	119.289	58

Source: Survey on Labor Forces 2001, Federal Statistical Office, 2001.

The expressive distinction between the official statistics about the number of employed workers in every field of property (126.542 - companies, shops, agriculture) and the estimation of the number of employed people from the survey (214.356) counts **87.814**. It represents the **estimated volume of employment of the population in the sector of illegal economy**, and it also includes the contingent from the different named categories (from both active and inactive population).

One of the structural characteristics of the unemployment in Montenegro is the participation of the young people. First of all, in the total number of unemployed people, the group of individuals aged 15 to 27, participates with 47 percent. From this **high participation of young people in the total unemployment** in Montenegro (in EU this is 20 percent), there is evident a need to dedicate much more attention to this group of unemployed people in the active policy of employment.

If we define **long-term unemployment** as waiting for the job more than one year, then it is the main problem which characterizes the Montenegrin unemployment. The participation of those waiting for the job more than one year in Montenegro is 85 percent. If we want to compare with the countries of EU, 49 percent amongst the unemployed people wait for the job more than one year.

This negative characteristic is seriously questioning the character "temporality" of the unemployed phenomenon, because if 43 percent of unemployed wait for the job more than five years, then it is a sign that everything gets the characteristic of something permanent.

In **unemployed structure** in 2002 we can see that most people are those with lower specialist's training - 38.5 percent, then persons with university level, advanced and intermediate specialist's training - 34.3 percent, while qualified and high qualified workers are the least - 27.3 percent. In the observed period there is evident trend of reducing unemployed persons with the higher level of education, which is positive.

The cited indicators affirm the emphasized characteristics in Montenegro, i.e. its high level, negative structure, especially endangering of the unemployed young people without experience, unemployed people of the lower level of education, females, invalids, as well as the part of older population. All these indicators show that unemployment nowadays is one of the most difficult economic and social problems, which has its political dimension.

In the report "**Employment, labour market and life standard in Montenegro**" which was realized by UNDP on the base of four polls during 2000 and 2001 another specific characteristics of unemployment in Montenegro was emphasized:

- According to the polls, employment rate, which includes formal and informal sector, as well as complex employment, estimates 86 percent
- 30 percent of employment is not registered
- The complex work activity covers 18.3 percent of laborers
- The level of unemployment is relatively high, for the country with very low benefits for the employers (i.e. in March 2001 according to the employment bureau only 3 percent of registered unemployed received compensation for the unemployed)
- Every fourth in the working contingent is work without permit
- Pensioners participate the total informal work with 27 percent
- Considering the fact that amongst the unemployed in Montenegro dominate those in the late twenties, the following cliché is paraphrased: "the future of Montenegro is unemployed"

According to the cited we can conclude that the limit of the analysis of the main structural characteristics of unemployed in Montenegro is its insufficient evidence. It is necessary to lead down the evidence of unemployed in the employment bureau on the real "social evidence", and to focus on aimed segments of limited finance support, which are intended for the increasing of employment supported by country program of employment.

Montenegro, eleven years without roll of population, with incomplete working, reformist legislature, and also insufficiently engaged inspection services, can very hard define the precise number of unemployed people, i.e. the number of really employed people. More precisely, systematized and internationally comparative statistic of the labour market is surely one of the main prerequisites for the projection and high-grade implementation of the measures of economic policy in this area.

3. LABOUR MARKET IN MONTENEGRO

Underdevelopment of the institutions of Montenegrin labour market, as well as inequality of dynamic adopting new legal regulative with need for dynamic economic reforms, are the main causes of insufficient prosperity of labour market, which is characterized with:

- Segmenting
- Over standardization
- Inflexibility
- Non-consistence between the structures of supply and demand for work

Segmenting – labour market means the existence of two labour markets at the same time. "One" market presents legal relationship between employer and employee, while "the other" market presents normative and fundamental not regulated part of Montenegrin labour market, i.e. non regulated relationship between employer and employees.

Over standardization – according to the necessary reforms of labour market in our country, as well as needs for the quick work engagement, employment of unemployed people and the relationship between unemployed and surpluses of employed people, the current labour legislature is burdened with numerous, dispersed legal solutions in many regulations in different areas, which can cause the insufficient resourcefulness in translation and application of legal regulations, so the previous legal solutions in this area can be put in the category of so called "tough legislature", which supports the establishment of labour relation, as well as the abuse of law from the labour relation. This phenomenon is specially expressed in unsuccessful social dialogues between the employer and employees in big and non-rentable companies.

Inflexibility – the secret of fast adaptations in companies, institutions in organizations is revealed in the ability of changing own organization, the knowledge of own employees and technologies, according to market demands and opportunities which are presented with it. In Montenegro is dominant the way of adaptation of companies in hard conditions of work, which is made by the dismissing of the surplus of employed. As a consequence, we have the unemployment and old-fashioned knowledge of workers who are in evidence of Bureau. Newly established private firms are not able to absorb the newly created surpluses of laborers, because it is overcoming their economic needs. At the same time, the educational system is not preparing an individual, in a sufficient measure, for "long-term" education, which is seen through the flexible behavior of an individual.

Non-consistence between the supply and demand for work - although registered unemployment in Montenegro is expressed very clearly, it doesn't suit by its structure (qualification, specialist's training and profile of workers) to the structure and smaller volume of present demand in the labour market. The significant number of unemployed from the evidence of Bureau is from the population of former employed people, who, with their knowledge and skills present the structure of society from the previous system. Predictable future demand for work, i.e. its structure, will express the different knowledge in relation to those expressed by current workers. So we may conclude that we need higher investments in education and reforms of educational system - young laborers who are coming, as well as the constant system of education of elders. It is impossible to reduce the gap between structure and volume of demand and supply for new laborers without bigger investment in educational system, and without other measures for inducing

employment, in other way we cannot expect reducing of unemployment, i.e. a significant part of demand cannot be satisfied in adequate way from the current supply of laborers.

The huge number of state institutions, which have a great influence on the labour market, are not yet trained to take their role in the system, role of modern and effective institutions, which are observed to the given legal regulations in the conditions of high-level organization of the total economic system (each doing its own job). Newly created legal solutions, beside the cited, are opening the door for the private sector in this area, which would provide the increasing of total effectiveness and further development of labour market in Montenegro.

5. THE FINAL MARKS AND RECOMMENDATIONS

• **The political stability - "CONDITIO SINE QUA NON" of dynamic economic reforms** - Macroeconomic stability of the certain state is considerably due to its political stability. The relatively stable political system makes the direct influence on successful legal-economic ambient, which is the base of economic development, and vice versa. The faster growth would considerably reduce the current disarrangement in the labour market, or would increase the employment and reduce the unemployment.

• **The synchronization and dynamic of reform processes** - The employment law of Montenegro, passed at the beginning of the year, presents important contribution to the reform process, in order to mediate in employment and the law of unemployed to arrange in the way compatible to modern transition economies. In order to be useful and efficient it demands the passing of other key law in this area-The Labour Law. At the same time, the reform of labour legislative must be parallel with reform of pension system, healthy insurance system and fiscal system. The relation between the reform processes is very emphasized. Only as entity they could represent the adequate institutional frame for modern standard implementation in the area of labour and employment.

The foundation of labour fund – taking into consideration that law regulates the needs of employees who because of technological, economic and organizational changes were left without job on entirely new way, it is necessary to give an approach to the foundation of labour fund, which as a new institution should seek and make conditions for employment of this category of unemployed people. In that way we open the opportunity that for these needs labour fund can try to provide the means from international donations, which is surely useful.

• **Inspection and control**-the measures that should increase the work of inspection services are the following:

- Introducing detailed working out of flexible forms of employment in the system
- Providing work of various activities and paying a flat rate in the name of taxes and refund for pension and invalid insurance
- Preventing, by added measures the illegal employment and illegal economy
- The bigger control of used means for active employment policy (co-financing and opening the new working places through various programmes-the number of approved means on the base of plan of new working places, is not consistent with registered number of new workers according to the realisation of the programme)
- Bigger preciseness and consistence of judiciary

- Enforcing cooperation and responsibility of competent entities in the area of revealing all forms of illegal economy and providing the adequate measures
- Enforcing the medium informing about the measures for the stopping of illegal economy

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NEZAPOSLENOST I TRŽIŠTE RADA U CRNOJ GORI

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Nema sumnje da je nezaposlenost u Crnoj Gori predstavlja jedan od najozbiljnijih ekonomskih i socijalnih problema sa kojim se suočava cjelokupno društvo. Stoga je izgradnja otvorene tržišne privrede sa dominantnim učešćem privatnog vlasništva, visokim nivoom konkurencije strateški cilj i pred ekonomijom Crne Gore. Značajan segment reformi ukupnog ekonomskog sistema su i reforme u oblasti tržišta rada.