

MONTENEGRO

DECENT WORK COUNTRY PROGRAMME 2015-2017

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Abbreviations

CEACR Committee of Experts on the Application of Conventions and Recommendations

CTUM Confederation of Trade Unions of Montenegro

DWCP Decent Work Country Programme

DWT/CO Decent Work Technical Support Team and Country Office

EC European Commission

EESE Enabling Environment for Sustainable Enterprises

EU European Union

GCA General Collective Agreement

GDP Gross Domestic Product

MDD Montenegro Development Directions

MEF Montenegrin Employers Federation ILO International Labour Organization

ILO International Labour Organization

ILS International Labour Standards

TA Technical Assistance

TU Trade Unions

UFTUM Union of Free Trade Unions of Montenegro

UN United Nations

UNDAF United Nations Development Assistance Framework

Decent Work Country Programme

2015-2017

Montenegro

I. Introduction

The primary goal of the ILO is to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Decent Work Country Programmes (DWCPs) promote decent work as both a key component of development policies and as a national policy objective of governments and social partners. The Decent Work Country Programme represents a medium-term planning framework guiding the work of the ILO in a country in accordance with priorities and objectives agreed upon with its tripartite constituents.

In July 2014 The ILO mobilized and allocated some initial funds for a project with the primary aim to develop a Decent Work Country Programme in Montenegro. The current Programme has been developed in close consultation with the Ministry of Labour and Social Welfare, the Montenegrin Employers Federation, the Confederation of Trade Unions of Montenegro and the Union of Free Trade Unions of Montenegro. The formulation process included bilateral meetings with individual constituents, a tripartite strategic planning workshop held in October 2014, and several rounds of reviews and comments coordinated by the ILO Budapest office with the involvement of the Montenegrin constituents and the relevant ILO technical and management departments.

The DWCP identifies strategic priorities and outcomes to be achieved during the period 2015-2017 through a joint action of the Montenegrin Government and the social partners on the one hand, and the ILO on the other hand. Its overall objective is to promote decent work through a coherent policy approach that is made operational by a set of priorities and outcomes. The present country programme takes into account the priorities of the ILO constituents in Montenegro, as expressed in consultations held with them. Its time frame has been set in order to allow the ILO to align its work to the planning cycle of the UN country team in Montenegro, and notably with the next UN Development Assistance Framework (UNDAF) foreseen for the period 2017-2021.

The DWCP for Montenegro, as the first programme of this kind between the ILO and its constituents in Montenegro, reflects the will of all parties to ensure greater synergy and stronger coherence of the ILO activities in Montenegro and a readiness to contribute to achieving sustainable results.

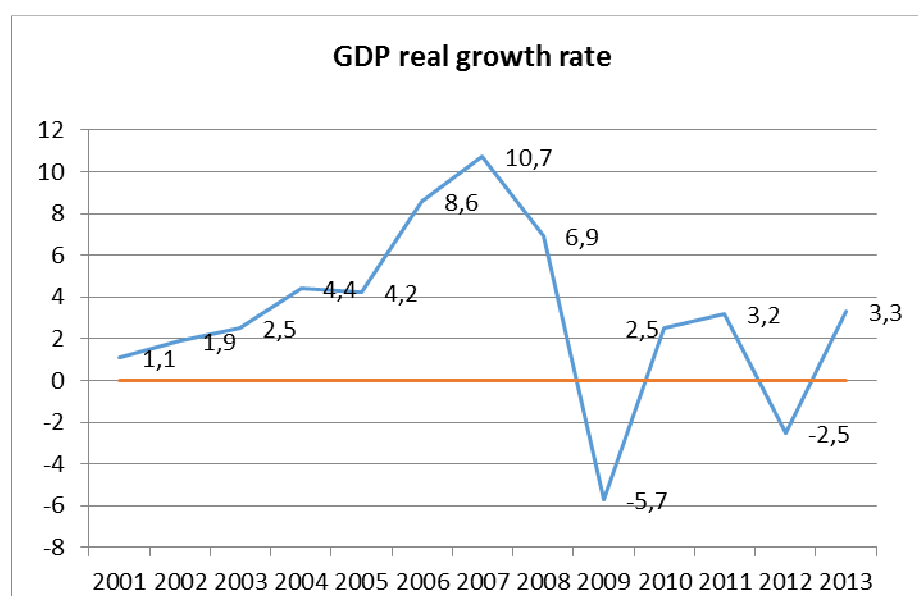
II. The socio-economic context from a Decent Work perspective

During the years from 2001 to 2007 Montenegro started a strong process of economic catch-up: the gross domestic product of Montenegro experienced an increasing expansion which reached its peak in 2007 with a growth rate of more than 10%. After 2007, however, with

the start of the financial crisis, the country's economy was affected by the worldwide economic slow-down and in 2009 the GDP fell by more than 5%. In the following years economic recovery did not reach the levels experienced in the past, in line with the generalized slow growth of European economies. In 2012 again the GDP decreased by 2.5%. In 2013 GDP grew at more than 3%, a growth rate that is higher than many other economies in the Balkan region and in Europe: -1% in Croatia, -1.1% Slovenia, 2.5% in Serbia, 0.4% in Germany.

According to World Bank data, when compared to the other countries in the region, the share of population below the poverty line in Montenegro is low. In 2011, 9% of the population in Montenegro was below the poverty line of 175.25 euro per month. Between 2005 and 2012 the share of people below the poverty line initially decreased during the phase of GDP expansion from 2005 to 2008, however it started to grow again as the economic crisis hit the country. Inequality in Montenegro is close to EU average: according to the World Bank estimates, the Gini index is about 30, a level that has remained quite stable over the last seven years. Among former Yugoslavian states, only Serbia and Slovenia display a lower index.

Figure 1. GDP real growth rate



Source: Monstat (2014)

Foreign Direct Investment (FDI) is an important component of the Montenegrin economy. From 2007 to 2009 FDI increased steadily up to almost 40% of the GDP. After the economic crisis it decreased to less than 15%, in 2011. The importance of FDI in Montenegro is much higher than in the countries in the region, for example in Croatia and Serbia, where it represents less than 10% of GDP (up to 2011).¹

¹ Information up to 2011 available at: <http://www.indexmundi.com/facts/montenegro/foreign-direct-investment> (Retrieved: 3 November, 2014).

In order to reduce a public deficit and debt and to strengthen the competitiveness of the country, in 2013 and 2014 the Government of Montenegro implemented a number of austerity measures²:

- Cost reduction in the public sector by curbing expenditure on salaries and benefits, official vehicles, lease and all other forms of discretionary spending;
- Reform of the reward system in the public sector - the Government is preparing a draft law aiming at achieving greater transparency in salaries;
- Freeze of pensions to address the financial sustainability of the pension system;
- Rationalization of public procurement.

In 2014 fiscal incentives to new businesses and new jobs in Northern Montenegro have been proposed through exemption from income and profits tax payment for a period of five years.

Employment

According to ILO estimates, the activity rate in Montenegro has been about 53% (15+ age group) in the last 5 years; among women the share of the active population is 43%. Looking at the different age groups, the activity rate among young people is quite low (23% in 2013) and it has decreased steadily from 2007 onwards.

While in 2004 and 2005 the unemployment rate was almost 30%, it decreased to just below 20% in 2007 and it has remained stable since then.³ This is still a very high level, especially if compared with the European Union average, which is around 10%. In the other countries of former Yugoslavia, however, unemployment rates remain high as well.

In Montenegro unemployment levels and trends are not very different for women and men. The unemployment rate among young people increased from 38% in 2007 to almost 42% in 2013. This trend was mostly due to the increase of unemployment rate among young men. In the case of young women, unemployment has decreased from 45% to 38.6%, however, also in this case this was not due to increase in employment, but rather due to many young women exiting the labour force.

2 As stated in the Ministry of Finance Pre-Accession Economic Programme (PEP), 2013-2016, available at: http://ec.europa.eu/economy_finance/international/enlargement/pre-accession_prog/pep/2014-pep-montenegro_en.pdf , (Retrieved: 3 November, 2014).

³ ILO data

Table 1. Labour in Montenegro (15+ age group)

years	thousands of people					unemployment rate			
	total working age population	active population	inactive	employed	unemployed	activity rate	total	males	females
2007	509.7	269.5	240.2	217.4	52.1	52.9	19.3	17.7	21.5
2008	513.4	266.7	246.7	221.9	44.8	51.9	16.8	15.9	17.9
2009	516.7	264	252.7	213.6	50.4	51.1	19.1	18	20
2010	519.9	260.7	259.2	209.4	51.3	50.1	19.7	18.9	20.6
2011	501.2	257.1	244.1	196	48.1	51.3	19.7	19.4	20
2012	500.9	250.4	250.5	201	49.4	50.0	19.7	19.2	20.2
2013	501.2	250.9	250.3	201.9	48.9	50.1	19.5	20	18.8

Source: Monstat

Table 2. Activity and unemployment rate by age groups and gender

	2007	2009	2011	2013	2007	2009	2011	2013	2007	2009	2011	2013
activity rate	all labour force				men				women			
15-24 years	32.6	28.8	20.9	23.2	35.4	32.3	24.6	26.3	29.7	25.3	16.7	19.8
25-49 years	78.0	78.6	75.6	77.1	87.2	86.5	81.3	83.3	69.0	70.7	69.9	70.9
50-64 years	52.0	51.5	51.1	52.5	63.6	64.8	61.7	61.6	41.3	39.1	40.9	43.7
unemployment rate	all labour force				men				women			
15-24 years	38.4	35.6	37.0	41.8	32.4	36.0	35.5	44.1	45.2	35.5	38.6	38.6
25-49 years	18.8	18.9	20.7	19.9	17.6	17.0	20.7	20.4	20.4	21.2	20.7	19.3
50-64 years	10.1	12.2	12.5	12.0	11.9	13.1	12.4	12.2	7.5	10.7	12.7	11.5

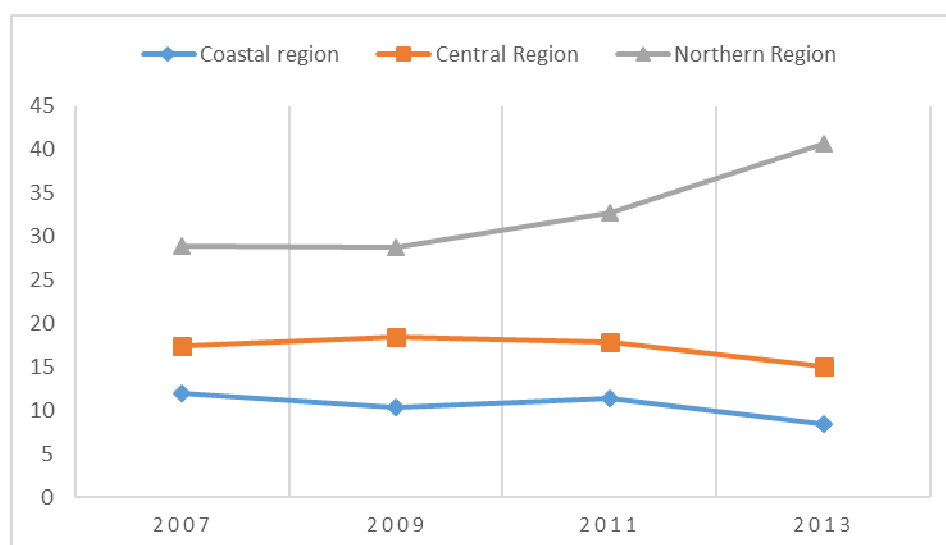
Source: Monstat

Table 3. Activity and unemployment rate (%) by regions

activity rate			
	<i>Coastal region</i>	<i>Central Region</i>	<i>Northern Region</i>
2007	51	55	47.5
2009	52.4	54.9	44.4
2011	48.3	54.6	39.3
2013	51.6	54	42.3

unemployment rate			
	<i>Coastal region</i>	<i>Central Region</i>	<i>Northern Region</i>
2007	12	17.4	28.9
2009	10.3	18.5	28.8
2011	11.4	17.9	32.7
2013	8.4	15	40.6

Source: Monstat

Figure 2. Unemployment rate (%) by region

Source: Monstat

In all age groups, the activity rates are higher when it comes to men than women. According to the Government's Action Plan for Achieving Gender Equality 2013-2017, there is a division among "male" and "female" occupations in Montenegro. Women are traditionally referred to jobs that are not career oriented as this allows them to balance between family and work obligations.⁴ This is also one of the main reasons why the share of women in the managerial positions is very low⁵ and the share of women-owned businesses is very low as well, at only

⁴ Action Plan for Achieving Gender Equality, 2013-2017, p.20

⁵ Action Plan for Achieving Gender Equality, 2013-2017, p.20

9.6%.⁶ Although the proportion of seats held by women in the Parliament has slightly increased in the past years, it still remains quite low, only 16%.⁷ The highest activity rates are in the age group from 25 to 49 years and amount to 83.3% for men and 70.9% for women. Reasons for this situation include unequal burden of unpaid household and family care responsibilities borne by women and the lack of infrastructure for working parents i.e. access to affordable and quality childcare.

Table 3 shows that the activity rate is generally higher in the central region and substantially lower in the northern region, where it further decreased between 2007 and 2013. The lower panel of Table 3 and Figure 2 show the very divergent levels and trends of the unemployment rate between the central and especially the coastal region - where unemployment was less than 10% in 2013 - and the northern region, where unemployment grew steadily from less than 30% to more than 40% in 2013.

As stated in the Montenegro Development Directions (MDD) 2013-2016, the Government of Montenegro seeks to identify development policies in line with the EU 2020 Strategy. Structural reforms of labour market are pursued in order to enhance the business environment. Through the National Strategy for Employment and Human Resource Development 2012-2015, the Government is committed to creating better conditions for job openings and to investing in human capital with overall aim of increasing the employment and economic competitiveness of Montenegro. There is also a need to address the mismatch between the educational system and the labour market needs.

The informal economy remains one of the countries' biggest challenges. There are no official statistical data on the informal economy in the country and any other data related to the informal economy are scarce. In the years prior to the transition there was hardly any private business and the share of the informal economy was around 5% of GDP.⁸ This was found mostly in sporadic personal services, such as repair works or the exchange of home grown agricultural business.⁹ According to an ILO study, informal employment represented around 22.6% of the overall employment in Montenegro in 2010. 77% of informal workers are employed in formal business, while 23% in informal sector enterprises. Some 54.4% of all self-employed are in the informal economy as are 74.7% of all agricultural workers.

The main areas of informal employment are restaurants, agriculture and trade. Formal employment levels for women are generally much lower than for men, while younger and older workers are especially likely to be employed informally.¹⁰ Foreign seasonal workers are also significantly represented in informal employment.

Social Protection

⁶ UPGC: Procjena okruzenja za zensko preduzetnistvo u Crnoj Gori, p. 35

⁸ C. Mihes at al.: *A comparative Overview of Informal Employment in Albania, Bosnia and Herzegovina, Moldova and Montenegro* (ILO Decent Work Technical Support Team and Country Office for Central and Eastern Europe, Budapest, ILO, 2010).

⁹ Ibid.

¹⁰ C. Mihes at al., op. cit.

The population of Montenegro is steadily ageing, as most of the other European countries: the share of people aged 65 years or more in the total population grew from 9% in 1994 to 13% in 2013. Overall the share of the elderly population is lower than in most of the other countries in the region (and also lower than in most countries in Europe).

Montenegro has ratified the Social Security (Minimum Standards) Convention, 1952 (No. 102) but not yet ratified the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128). The social insurance and social protection regulatory framework covers the employed, self-employed persons and farmers, Montenegrin citizens residing in Montenegro and foreigners with granted temporary or permanent stay.¹¹ The social insurance system covers old-age, early retirement, disability; in the event of death a family member is entitled to survivors' pension and funeral grant allowance.

According to the Ministry of Finance Pre-Accession Economic Programme (PEP) 2013-2016, the Government intends to reform the pension system to ensure its financial sustainability.¹² In 2014 the pensions were not adjusted in line with the inflation rate and salaries growth as part of the austerity measures taken in order to reduce the public deficit and debt.

Montenegro ratified the Minimum Wage Fixing Convention, 1970 (No. 131). The labour law sets out statutory provisions which regulate minimum wage at the national level. The decision on the minimum wage level is made by the Government at the proposal of the Social Council. Currently, the minimum wage is set at 193 euros per month.

On 25th July 2014 the Montenegrin Parliament approved a law on Protection and Health at Work with the aim of harmonizing the national legislation in the field of occupational safety and health with the Framework Directive 89/391 EU and ILO conventions. By-laws and regulations for the implementation of the above mentioned Law will be approved within two years from the date of entry into force of the law on the Protection and Health at Work. In 2010, the Government adopted a strategy to improve health and safety at work in Montenegro 2010-2014.

Social Dialogue

Montenegro has a well-established legal and institutional basis for the functioning of social dialogue. Social dialogue is regulated under three different laws, namely: Labour Law, the Law on Social Council and the Law on Trade Union Representativeness.

Montenegro ratified the Tripartite Consultations Convention, 1976 (No. 144), Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) and the Right to Organize and Collective Bargaining Convention, 1951 (No. 98). Collective Bargaining Convention, 1981 (No. 154) has not been ratified.

The main actors in industrial relations system are two trade unions, both representative at the national level: Confederation of Trade Unions of Montenegro and Union of Free Trade Unions of Montenegro while on the side of employers' organization there is the Montenegrin Employers' Federation. Both CTUM and UFTUM are members of the

¹¹ ISSA country profile (forthcoming) <http://www.issa.int/country-profiles.jsessionid=F9A61139A67F1892F9B6FF2BD89DA66D> (Retrieved: 13 November, 2014)

¹² PEP 2013-2016, p.26

International Trade Union Confederation and the MEF is a member of the International Organization of Employers and BUSINESSEUROPE. Both nationally representative trade unions, CTUM and UFTUM, and the representative employers' organization, MEF, operate in difficult economic environments, and the overall institutional capacity of the social partners needs to be improved. UFTUM and MEF do not have their own premises, but one part of the funds from the membership dues is allocated to cover the lease expenses.

In 2007 the necessary legal foundations were laid for the functioning of the Social Council, and in 2013, with the amendments to the same law, the secretariat of the Social Council was established. The Social Council is a tripartite body, composed of 11 Government's representatives, 11 employers' representatives from MEF and 11 workers' representatives from CTUM and UFTUM. The Social Council meets regularly and provides opinions and recommendations on the work –related issues,¹³ including issues of importance for the economic and social position of workers and employers and their conditions of life and work, issues related to the development of a culture of dialogue and incentives for the peaceful settlement of disputes, and other issues related to international commitments. The Social Council provides opinions on the drafts laws and proposals and other regulations of importance for the economic and social status of workers and employers. However, it has been stated by the social partners that their opinion and recommendations are rarely taken into account before passing the law. According to social partners, a large number of relevant laws and regulations are not on the Agenda of the Social Council, although they significantly influence the business environment and the position of workers. Members of the Social Council indicated that they do not have feedback on the impact of the conclusions adopted by the Social Council.

In March 2014 a General Collective Agreement was signed between the Government and the social partners. A number of branch collective agreements has been concluded. Branch collective agreements have not been concluded for the trade and telecommunication sectors as well as for the public administration. Social dialogue needs strengthening particularly in the retail sector, where there is a very small percentage of unionized workers. The number of collective agreements at enterprise level is unknown. There is no legal impediment to establish trade unions in small and medium-sized enterprises, but it is difficult for unions to meet the criteria for representativeness.

The Law on Peaceful Settlement of Labour Disputes was adopted in 2007 and last amended in 2011. The Agency for Peaceful Settlement of Labour Disputes is in place since September 2010. From September 2010 until December 2013, the Agency received 6,929 requests for amicable settlement of labour disputes, out of which 6,914 for individual disputes and 15 for collective. Agreements were facilitated by the Agency in 82.6% of the cases. There is a need for further assistance to the Agency with collective labour disputes settlement as well as with the implementation of the upcoming Law on strike. The Agency is also facing challenges

¹³ According to the Article 6 of the Law on Social Council, the Social Council gives opinion and recommendation on the following: development and improvement of collective bargaining, influence of economic policy and measures for its implementation on social development and stability of the employment policy, wages and prices; competition and productivity; privatization and other issues of structural adjustment; protection of work space and environment, education and professional training; health and social protection and security; demographic trends and other issues of importance for the implementation and improvement of economic and social policy.

with the implementation of the Law on Prohibition of Harassment at Work. In 2013 an Expert Advisory Council was formed with a role to analyse the issues and draft the legal positions, with the aim of improving the Agency's professional services and helping achieve a unified practice in dealing with proposals for the peaceful settlement of labour disputes. The Council has five members and it is composed out of independent experts, lawyers in the field of labour and social legislation and judiciary.

International Labour Standards and Labour Law

Montenegro has ratified 69 ILO conventions including all fundamental and priority conventions. Montenegro also ratified Workers with Family Responsibilities Convention, 1981 (No. 156) and Maternity Protection Convention, 2000 (No. 183). During the DWCP consultation the Government expressed readiness for ratification of additional ILO conventions.

The ILO Committee of Experts on Application of Conventions and Recommendations (CEACR) has invited the Government to take steps, in cooperation with the social partners, to ensure the observance of the national legislation on non-discrimination and to promote equality in employment and occupation. The CEACR also invited the Government to review gender-specific prohibitions to night work and to modernize the legislation, in consultation with the social partners, to ensure that the same standards of protection apply to men and women alike and, accordingly, consider the ratification of the Night Work Convention, 1990 (No. 171), which seeks to improve the quality of working life of all night workers, both men and women, in all branches and occupations.

The Labour law of Montenegro was last amended in July 2013 with a tripartite consensus, allowing for regulation of the rights of employees in the event of bankruptcy.

In the recent years legislative reforms have aimed at increasing labour market flexibility. The labour law was amended in order to allow for the functioning of temporary employment agencies, maximum duration of fixed term employment has been limited to 24 months, while individual dismissal procedures were revised.¹⁴ The employment of persons with disabilities has been encouraged through subsidies granted to employers.¹⁵

With a view to introducing higher flexibility in the labour market, the Government is planning a labour law reform, by means of drafting a new Labour law in line with ILS and EU Directives. The reform process, planned to be finalized by the end of 2017, as it is the practice in Montenegro, will include consultations with social partners to ensure that all actors' representatives at the national level will be involved.

Montenegro ratified Worst Forms of Child Labour Convention, 1999 (No. 182) followed by Worst Forms of Child Labour Recommendation, 1999 (No. 190) and thus undertook an obligation to improve the protection of children and young people when it comes to the worst forms of child labour. Montenegro did not develop the list of the worst forms of child labour.

¹⁴ Montenegro Development Directions, p. 24

¹⁵ Montenegro Development Directions, p. 24

III. Lessons learned from previous cooperation

In previous years the ILO cooperation with Montenegro focused mainly on strengthening the capacity of social partners, fostering social dialogue, developing policies related to peaceful resolution of labour disputes. The support to the country was delivered mainly on ad hoc basis outside the context of a longer-term strategy.

The Decent Work Country Programme is the first joint programme of this kind between the ILO and the constituents in Montenegro. As the main instrument of the ILO assistance to the member States, it has been acknowledged that Decent Work Country Programme represents an important progress in fostering the cooperation between the ILO and its constituents in Montenegro. The Programme also draws on past and current work undertaken by other UN agencies in areas of relevance of the ILO, such as youth employment and informal economy. In that regard, the necessary synergy and partnerships with the UN country team are being established.

Against this background, the consultation between national tripartite constituents and the ILO has sought to identify - from a potentially very broad agenda - a limited number of shared priorities and results that can be reasonably attained in the proposed time frame on the basis of available and foreseeable resources. The priorities identified through this process also respond to the areas of critical importance for the current and future work of the ILO globally. This will also help the ILO focus its own resource mobilization initiatives vis-à-vis potential donors and additional partners. The promotion of gender equality and non-discrimination will cut across the thematic priorities, in line with the Social Justice Declaration's statement and the ILO Strategic Policy Framework 2010-15.

As the first and pilot experience in Montenegro, the DWCP should be considered as a living document, open to regular reviews and adjustments in line with the evolution of needs, demands and opportunities. The plan shall therefore be regularly monitored and adjusted depending on the availability of resources, on the partners' response capacity and on the evolution of the country's economic and social situation.

IV. Priorities

Priority 1. Enhancing Social Dialogue

Promotion of tripartite social dialogue is and remains a core value and priority of the ILO. During the DWCP consultation process, the need for further strengthening of the Social Council at the national level was stressed. Social Councils at the local level need further strengthening as well.

According to the National Strategy for Employment and Human Resources Development 2012-2015 of the Ministry of Labour and Social Welfare, an open social dialogue is needed to find an appropriate balance between flexibility and security within the labour market.¹⁶ Bipartite and autonomous social dialogue remains weak, especially in the private sector and

¹⁶ National Strategy for Employment and Human Resource Development in Montenegro 2012-2015, p. 26, Montenegro Development Directions, p. 86

at corporate level. Social partners need further capacity building. Although a legal basis exists for it, collective bargaining at branch and enterprise levels need further strengthening.

The government recently requested ILO's support in strengthening social dialogue and improving the functioning of the tripartite Social Council, technical and experts' assistance for the Agency for Peaceful Settlement of Labour Disputes and the Labour Inspectorate.

Outcome 1.1: Institutional and technical capacity of social partners is strengthened

Capacity building of the employers' organization will focus on supporting MEF to engage more effectively in economic and social forums at all levels to ensure that an appropriate legislative environment exists for viable and sustainable enterprises. A key focus of its capacity building strategy will be on efforts to strengthen the capacity of the organization to respond to its members' needs in a variety of fields, including EU integration and transposition of EU directives into domestic law, good governance, organizational management, research and analysis, policy advocacy and lobbying. In addition, the ILO will also provide support to MEF through the establishment of new services in expanding its membership base and enhancing its ability to articulate employers' concerns in media and policy settings.

The key pillars of activities for trade unions, CTUM and UFTUM, will be related to enhancing trade unions' capacity for organizing workers and engaging in effective collective bargaining at sector (branch) and company levels; promoting and protecting workers' fundamental rights through training of trade union activists from branch and company levels on the ILO supervisory mechanisms and their use; and pilot research and training at branch level on forms, drivers and evolution of informal economy, with a view to strengthening trade unions' capacity to take an active part in national debate and to propose response policies and measures to address informality. Promotion of gender equality and women's empowerment in activities and structures of trade unions will be a cross-cutting concern, as well as focus on young trade unionists and non-organized workers including those with disabilities.

Outcome indicators:

- 1.1.1 The governance structure and practices of the Managing Board of MEF and Executive Bodies of CTUM and UFTUM is enhanced.

Target: Governance strategies of MEF, CTUM and UFTUM adopted by June 2016 using ILO tools and competencies as a result of training for MEF, CTUM and UFTUM Board of Directors.

- 1.1.2 New service for employers on promotion of equality and elimination of discrimination (on the grounds prescribed in national legislation) introduced.

Target: New service introduced by April 2015 as a result of ILO training on promotion of equality and elimination of discrimination.

- 1.1.3 Social Partners' engagement relating to EU accession process is strengthened.

Target: By April 2016, Social Partners develop a plan of activities relating to EU accession process, based on successful experience from other employers' and trade unions' organisations.

- 1.1.4 Trade unions are increasingly involved in the negotiation of gender-sensitive collective agreements in the private sector.

Target: By the end of 2016, at least three collective bargaining processes are initiated by trade unions in the private sector using ILO tools and granting the equal treatment for women workers.

- 1.1.5 Trade unions enhance the role and participation of young women and men unionists.

Target: A pilot campaign for enhancing the role and position of young unionists is launched in a selected branch by end of 2015.

Outcome 1.2: The role and the functioning of the Social Council is strengthened

The Social Council meets regularly and its role is advisory. The recommendations of the Social Council on draft laws are not taken on board in many cases. Many bills and draft regulations initiated by governmental institutions often do not reach the Social Council for opinion. The Council has a secretariat, but it is seriously understaffed (one person). Further strengthening of its role is necessary. Funds for the functioning of the Social Council are provided from the budget of Montenegro. At the regional level in 2013 out of the 17 local social councils only two operated efficiently and cooperated with the Social Council at national level.¹⁷ The Government aims to strengthen local councils, however, according to the social partners, as long as the Social Council at the national level is not further strengthened we can hardly expect regional ones to function better.

An independent and experienced expert will be hired to conduct an assessment of the current functioning of the Social Council. The purpose of this study assessment is to identify gender-responsiveness and bottlenecks and propose concrete recommendations to improve the functioning of the Social Committee. Based on these findings tripartite discussions will be facilitated by the ILO on the need to amend the current legislation.

Sound industrial relations and effective social dialogue are a means to promote better wages and working conditions as well as peace and social justice. As instruments of good governance they foster cooperation and economic performance, helping to create an enabling environment for the realization of the objective of Decent Work at the national level. A set of recommendations will be made (either to change the law or improve the practice).

The ILO guidebook on National Tripartite Social Dialogue will be translated and distributed.

Outcome indicators:

- 1.2.1 Tripartite Action Plan agreed for improving/strengthening the Social Council.

Target: The plan is adopted by September 2016 following an assessment of the current composition and functioning of the Social Council carried out by end of 2015.

- 1.2.2 Number of Social Council's recommendations adopted by the Government increased.

¹⁷ Aleksandra Visnjic: *Annual Review of Labour Relations and Social Dialogue in South East Europe: Montenegro* (Belgrade, Friedrich-Ebert-Stiftung Regional Project for Labour Relations and Social Dialogue in South East Europe, 2013).

Target: Increase by 20% of adopted recommendations by end of 2017.

Outcome 1.3: Labour law reform adopted through tripartite dialogue in accordance with relevant International Labour Standards and EU Directives

The Ministry of Labour and Social Welfare has solicited technical assistance from the ILO in preparation of the draft Labour Law, which should be submitted for voting to the Parliament by December 2017. The intention of the Government is to have a new Labour Law which is harmonized with the EU directives and ratified ILO conventions. The social partners will be involved in the consultations with the ILO experts on the draft Labour Code.

Tripartite discussions will be organized in the Social Council identifying gaps and possibilities for ratifying new ILO conventions. Based on a tripartite agreement, the Government will initiate ratification of relevant international labour standards.

A national consultant will be hired to collect relevant national legal information concerning labour legislation and collective agreements to be included in the regional legal database on industrial relations and collective bargaining. The regional database will be used as a policy tool in the process of the labour law reform. It will provide comparative information on labour law and practice in the wide range of subject matters in the EU member states and the Balkans.

Outcome indicators:

- 1.3.1. A final text of the Labour Law reform is agreed which is consistent with ILO principles and standards and EU Directives.

Target: At least 50% of ILO comments are taken on board in the final text of the Labour Law submitted to Parliament.

- 1.3.2. Number of ratifications of relevant ILO conventions initiated by the Government.

Target: Night Work Convention, 1990 (No. 171) submitted to Parliament for ratification by the end of 2016.

Outcome 1.4: Technical and professional capacities of the Agency for Peaceful Settlement of Labour Disputes in assisting collective bargaining as well as in disputes in relation to the strike and harassment at work strengthened

The Agency for Peaceful Settlement of Labour Disputes started functioning in 2010. ILO has been assisting the Agency since its creation through policy and technical advice and training of its roster of mediators and arbitrators. Additional technical and professional capacity building will be provided to handle effectively more responsibilities related to assisted collective bargaining and settlement of collective labour disputes. Currently most of the cases handled by the Agency were individual or rights-based disputes. Through the new Law on strike and the Law on Prohibition of Harassment at Work, the Agency will be given new or extended responsibilities concerning settlement of collective labour disputes in these two new areas and the Agency will be provided with additional professional and technical assistance in the implementation of these laws.

Outcome indicators:

- 1.4.1. Settlement rate of collective labour disputes, disputes in the field of harassment at work (mobbing) increased.

Target: Increase by 10% compared to the 2013 data, of the settlement rate of labour disputes on collective and workplace discrimination by the end of 2016.

- 1.4.2. Settlement rate of collective labour disputes related to the upcoming Law on strike increased.

Target: Increase by 10% compared to the 2013 data, of the settlement rate of labour disputes related with the implementation of the upcoming law on strike by the end of 2016.

Priority 2: Promoting employment and an enabling environment for sustainable enterprises

More and better jobs for inclusive growth, improved youth employment prospects and promoting sustainable enterprises remain areas of high priority for the present and future work of the ILO. Employment remains an issue in the country, with an unemployment rate at above 19%. Montenegro needs to increase workers' mobility, to strengthen the effectiveness of active labour market policies and to enhance the quality and inclusiveness of education, including vocational education and training. In line with the South-East Europe 2020 Strategy, there is a need to strengthen links between education systems and the labour market along with interconnections between business-driven innovation, entrepreneurial leaning and skills for small business.

Montenegro adopted in December 2014 an action a plan for 2015 on employment and human resources development. The Government of Montenegro (through the Ministry of Labour and Social Welfare) is preparing a Programme for Employment and Social Policies (ESRP) in cooperation with the European Commission, which should provide answers to the challenges in the areas of employment and labour market, education, social inclusion and social protection. An action plan on youth employment for 2014 was also adopted in November 2013.

Current challenges include the promotion of life-long education and training, especially in the private sector; existing employment gaps between the north and other parts of the country; lingering implicit advantages to take up undeclared work over regular employment, such as tax and social security contribution evasion and lower working conditions - though efforts have been made in order to decrease this phenomenon, especially on the coast and in Podgorica. In addition, developing reliable data and sex-disaggregated statistics remains an outstanding issue in several areas, in particular for labour market analysis.

The focus of the DWCP will be on reducing the high levels of youth unemployment especially for women.

The reduction of unemployment shall also be pursued through jobs creation in the private sector. The creation of an enabling environment for sustainable enterprises requires not only enterprise-specific interventions for businesses to grow, but also policy reforms to look at the political, social and economic environment in which they operate and the existing regulatory and institutional constraints. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently

in order to achieve innovation and enhanced productivity. The constituents agreed on the need to ensure an enabling environment for sustainable enterprises and jobs creation in a competitive private sector, based on productivity and skills rather than low wages and working conditions.

Outcome 2.1: Strengthen capacity of constituents to develop and implement youth employment policy measures

Unemployment rate for youth (15-24 years) was 41.8%¹⁸ in 2013. An action plan on youth employment for 2014 was adopted in November 2013. The ILO will develop capacity of tripartite constituents to improve, design and implement gender-responsive measures to prevent early-school leaving and 'drop-out' through evidence-based policy design, assessment and survey. Government officials will be trained on the methodology for a school-to-work survey. In addition, the ILO will commission a study comparative analysis assessing what measures worked in the region. The ILO will seek synergy with other relevant UN and international partners to expand the outreach and impact of its work.

Outcome indicators:

- 2.1.1 School to work transition sex-disaggregated survey carried out and its result reported.

Target: Survey carried out by end of 2015 following ILO training on methodology.

- 2.1.2 White paper on employment and gender-responsive youth employment issued.

Target: Paper issued after tripartite consultation by June 2016.

- 2.1.3 Youth employment becomes a high priority for UN work in Montenegro.

Target: Gender-responsive youth employment is mentioned as an explicit priority of the UNDAF programme for 2017-2021.

Outcome 2.2: Enabling environment for sustainable enterprises

To support private-sector development, measures should be taken to further simplify the regulatory and legal environment, including strengthening contract enforcement, reducing administrative costs and barriers, ensuring better access to finance and more favourable lending conditions (particularly for SMEs) addressing education and labour mismatch and promoting entrepreneurial culture, rule of law and good governance. In recognition of key role of job creation through entrepreneurship and conducive business environment, the ILO will provide technical assistance in continuous transformation towards enabling environment for sustainable enterprises.

The ILO supported the development of strategic policy framework for the MEF Five critical constraints were identified by Montenegro Employers' Federation that inhibit business and employment creation. As a next step development of position papers is foreseen on how to improve business environment in line with the Strategic Policy Framework. Position papers are evidence based short documents that need to clearly and concisely articulate a position

¹⁸ According to the Monstat data

of social partner as to what needs to change and why, to evaluate policy options and suggest the best possible policy alternative. Business perception surveys and “live” indicators of current business climate will be developed and introduced. Enabling environment for sustainable enterprises (ESEE) impact assessment methodology will be introduced.

At the same time, ILO tools for promoting youth entrepreneurship – including business incubators, and social entrepreneurship, including in agriculture – and access to credit will be tested.

Outcome indicators:

- 2.2.1 Business Perception Surveys and “live” indicators of current business climate are introduced.

Target: Business perception surveys and “live” indicators developed and validated by June 2015.

- 2.2.2 The ESEE Impact Assessment Methodology is introduced.

Target: The ESEE Impact Assessment Methodology is introduced by end of 2015.

- 2.2.3 Position papers are developed and launched.

Target: At least three position papers developed by September 2016.

- 2.2.4. ILO tools on entrepreneurship development/clusters and social economy are validated and adapted to the national context.

Target: A team of national trainers is trained on ILO entrepreneurship and social economy tools by the end of 2016.

Priority 3: Formalizing the informal economy

Formalization of the informal economy is an area of high priority for the present and future work of the ILO. High instances of informal employment have various negative effects on the economy, on working conditions generally, and on the policy making process. Low tax revenues, due to the non-payment of payroll taxes, constrain the Government’s capacity to introduce effective labour market and social protection policies. In addition, the large informal economy and widespread practice of under-reporting of wages create serious problems for the coverage and financing of social security systems, thereby rendering these workers and their families unprotected against substantial social risks. For employers, informal economy brings unfair competition and uneven level playing field. Entrepreneurs in the informal sector suffer from poor productivity, lack access to finance and markets, lack innovation and are overall unable to grow. For employees, working in the informal economy means being confined in an activity which is low paid, precarious and unsafe as occupational safety and health standards are often neglected. The lack of training opportunities prevents informal economy workers from claiming better paid positions in the formal sector. The rights of workers are difficult to enforce in the informal economy. Many women working in informal jobs do so as the flexibility of hours allows them to also carry out unpaid family and household duties, of which they perform an unequal share.

Outcome 3.1: The capacity of Labour Inspection has been strengthened

With the view to efficiently tackling the informal economy, the capacity of labour inspection needs to be improved and an adequate regulatory framework should be created which would enable all inspection services to act in cases and forms of the informal economy. Labour inspection should also foster the cooperation with other authorities and collaboration with social partners. Social partners need to be sensitized on how to contribute to preventing, identifying and transitioning informal workers and economic entities to formality. In order to be able to fulfil their demanding mandate, labour inspectors need training on the diversity of situations related to undeclared work and informality of the employment relationship, so that they are able to correctly advise employers and workers on how to comply with the law. This knowledge is equally relevant to investigate cases of non-compliance with national labour and social security legislation regulating formal obligations of registration of workers declaration of remuneration and payment of social contributions, this last aspect being under the responsibility of the Department of Public Revenues.

Outcome indicators:

3.1.1. Cooperative strategies are used by the inspectors in coordination with other institutions to address informal employment and undeclared work.

Target: Labour inspectors and inspectors from the Department of Public Revenues improve their capacity to promote and supervise compliance with national labour and social security legislation on undeclared work by the end of 2016.

Outcome 3.2: Constituents have enhanced awareness and knowledge to promote and facilitate a gender-responsive transition to formality

Informal employment is multifaceted and of highly complex nature. Reducing informality implies addressing the problem through different entry points, namely a better enforcement of the law through strengthened labour inspection, cross-checking of data bases and application of adequate penalties; the re-definition and simplification of the regulatory framework; the development of incentives to formalize by offering better and easier access to social security, business development services and credit; and the promotion of public awareness around the individual and collective benefits of formalization. The medium-term objective of the ILO will be to lay the ground for the tripartite adoption of national policies and initiatives. The ILO will seek synergy with other relevant UN and international partners to expand the outreach and impact of its work.

Outcome indicators:

3.2.1: Tripartite constituents identify drivers and profile of informality, including the different situations and needs of women and men and of vulnerable groups.

Target: A national diagnosis on the informal economy is produced with UNDP's support and validated on a tripartite basis by mid-2016.

3.2.2: Constituents undertake an information and awareness raising campaign to promote the benefits of formal economy.

Target: A national campaign is launched by the end of 2016.

3.2.3: Formalization of the informal economy becomes an explicit priority of the UNDAF programme for 2017-2021.

Target: Formalization of the informal economy is mentioned as an explicit priority of the UNDAF programme for 2017-2021.

3.2.4: A trade union position policy on informal economy in the construction sector is formulated.

Target: A gender responsive trade union position paper on informal economy in building sector is issued by end of 2015.

V. Management and Implementation

The Decent Work Country Programme will be managed through a network consisting of the ILO Decent Work Technical Support Team and Country Office based in Budapest, a National Project Coordinator in Podgorica, the ILO Regional Office for Europe and ILO technical units at headquarters in Geneva. The ILO will cooperate with major stakeholders in the country such as other Participating UN organisations within the framework of the integrated UN Programme (UNDAF), as well as with the EU Delegation.

The objectives of the programme will be jointly implemented (including support, funding and monitoring) by the constituents and the ILO. From the ILO side, this will be pursued through technical cooperation projects, advisory missions, seminars and training workshops for information dissemination and capacity building. ILO regular budget resources and extra budgetary funding, including through UN joint programmes, will be used to finance the implementation of the Country Programme. The constituents and the ILO will carefully assess the resources required for the different outcomes and identify national resources, ILO resources and donor support required. The ILO will continue to mobilize additional resources for follow-up, bearing in mind the priority concerns of the constituents. The Government and the social partners will facilitate their respective expert staff and premises and provide logistical support, as appropriate. They are committed to implementing the follow-up steps necessary to achieve the expected results.

VI. Performance monitoring and evaluation arrangements

The implementation of the Decent Work Country Programme will be reviewed on a regular basis by the constituents through the establishment of a DWCP Overview Board. The selection of the Board members will be formalized after the signing of the DWCP. The task of the DWCP Overview Board is to promote the DWCP goals and monitor and evaluate the implementation of the DWCP, ensure the active participation of all parties involved and the fulfilment of their commitments to achieve the jointly agreed outcomes. The Board will meet twice a year to assess progress made. Adjustments will be made to adapt to changing circumstances, if necessary, with a view to guaranteeing the achievement of the expected results, including redefinition of some of the country programme activities. The DWCT/CO-Budapest Director will assess the programme achievements with the constituents in the country at the end of the programme. A Results Framework and Monitoring and Evaluation

Plan is developed to support this assessment. The DWCP will undergo a final evaluation through the ILO's standard mechanisms.