

Government of Montenegro

Ministry of Finance

Questionnaire

Information requested by the European Commission to the Government of Montenegro for the preparation of the Opinion on the application of Montenegro for membership of the European Union

IV The wage bargaining process and the social security system

Minister: Igor Luksic

Podgorica, December 2009

TABLE OF CONTENTS

ECONOMIC CRITERIA..... 5

IV The wage bargaining process and the social security system..... 6

ECONOMIC CRITERIA

IV The wage bargaining process and the social security system

4. Please provide quantitative and/or qualitative information as appropriate on the following:

a) development of the average gross and net wages in the public and private sectors;

Average wages (gross) and average wages less taxes and contributions (net) in Montenegro in 2000

Sector	2000	2000
	Average gross wages (in DM)	Average net wages (in DM)
Industry and mining	301	184
Agriculture and fisheries	222	136
Forestry	163	99
Water management	224	137
Construction	190	116
Transport and communications	296	181
Trade	162	99
Hospitality and tourism	153	93
Crafts	207	127
Housing and utilities	211	129
Financial and other services	382	233
Education and culture	451	261
Health and social protection	445	240
Social and political associations and organizations	485	278
Total	309	189

Source: MONSTAT

Note: Data on gross and net wages have been presented according to the then valid common classification of activities.

Gross wages and net (less taxes and contributions) wages in Montenegro in 2001

Sector		2001	2001
		Average gross wages (in DM)	Average net wages (in DM)
A	Agriculture, hunting and forestry	203	124
B	Fisheries	74	46
C	Mining and quarrying	415	254
D	Manufacturing	288	176
E	Electricity, gas and water supply	532	326
F	Construction	192	117
G	Wholesale and retail trade; repair of motor vehicles, motorcycles, and personal and household goods	207	127

IV The wage bargaining process and the social security system

H	Hotels and restaurants	131	80
I	Transport, storage and communication	412	251
J	Financial intermediation	578	365
K	Real estate, renting and business activities	284	173
L	Public administration and defence; compulsory social security	479	292
M	Education	421	257
N	Health and social work	425	260
O	Other community, social and personal activities	311	190
	Total	345	211

Source: MONSTAT

Gross wages and net (less taxes and contributions) wages in Montenegro from 2002 to 2008, in EUR

Sector	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
	2002		2003		2004		2005		
A	180.2	111.5	209.2	135.6	337.7	221.6	265.8	171.6	
B	73.4	46.8	53.3	37.9	71.8	51.5	127.2	88.8	
C	337.4	204.0	328.5	198.0	365.3	224.1	451.0	295.9	
D	212.9	132.0	218.0	138.3	270.5	169.7	302.7	194.6	
E	347.5	215.8	373.2	236.5	425.4	269.9	499.4	315.4	
F	189.5	119.9	159.2	109.6	140.6	97.0	179.3	130.2	
G	154.8	98.0	196.0	128.6	199.2	134.0	210.2	140.4	
H	123.2	79.1	128.7	88.1	172.5	119.2	207.8	139.6	
I	309.3	189.5	352.5	219.8	420.0	262.9	415.4	263.2	
J	516.1	315.2	649.2	390.6	637.0	348.9	753.5	467.2	
K	209.9	130.6	258.4	169.1	296.4	194.1	318.4	210.8	
L	299.1	186.6	327.1	212.7	355.1	232.4	371.8	243.9	
M	286.3	179.3	317.3	204.8	350.1	228.3	355.3	234.8	
N	267.5	169.4	282.1	186.8	314.2	209.0	325.8	218.6	
O	259.4	162.4	255.8	168.9	243.1	162.5	237.3	159.1	
	Total	251.3	149.1	271.0	173.9	302.8	195.3	326.5	213.1

IV The wage bargaining process and the social security system

		Gross	Net	Gross	Net	Gross	Net
Sector		2006		2007		2008	
A	Agriculture, hunting and forestry	441	268	446	305	584	396
B	Fisheries	229	162	196	140	197	141
C	Mining and quarrying	630	407	725	493	833	574
D	Manufacturing	465	302	530	358	615	418
E	Electricity, gas and water supply	702	438	701	469	783	530
F	Construction	304	216	430	295	519	353
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	277	186	301	208	345	242
H	Hotels and restaurants	306	205	388	264	445	307
I	Transport, storage and communication	556	354	659	439	757	513
J	Financial intermediation	912	570	1156	770	1 268	854
K	Real estate, renting and business activities	405	265	438	299	531	363
L	Public administration and defence; compulsory social security	447	291	506	344	669	454
M	Education	382	250	433	295	570	388
N	Health and social work	367	246	427	296	576	395
O	Other community, social and personal activities	378	250	431	296	532	370
	Total	433	282	497	338	609	416

Source: MONSTAT

b) the determination of government wages and employment;

The issues related to the status of civil servants and state employees, with regard to entering employment, vocation, rights and liabilities, responsibilities, placement to certain jobs, evaluations, promotion, and determination of capability to work, professional training, cease of employment, protection of rights, and human resources management have been stipulated by the Law on Civil Servants and State Employees (Official Gazette of Montenegro 50/08).

Article 118 of the abovementioned Law envisages that the authority for human resource management runs the Central Human Resource Record on Civil Servants and State Employees.

Issues related to the exercise of rights to wages, benefits and other remunerations have been regulated by the Law on Wages of Civil Servants and State Employees (Official Gazette of Montenegro 27/04 and the Official Gazette of Montenegro 17/07 and 27/08).

According to Article 21 of the abovementioned Law, the Central Record on Wages of Civil Servants and State Employees is run by the Ministry of Finance.

The Wages Department of the Ministry of Finance calculates wages for 6 299 state administration and judiciary employees.

IV The wage bargaining process and the social security system

Gross wages for September (for 6 299 employees) amount to EUR 4 251 151.15, while net wages amount to EUR 3 049 995.77.

Attachment: Table on other employees by bodies, number of employees, gross and net wages has been made based of the data presented to the Sector of State Treasury as payables.

REPORT

on the number of employees in state and judiciary authorities for September, 2009

Sequence number	Name of the Budget beneficiary	Gross wages	Net wages	Number of employees
1.	Ministry of Internal Affairs	461 675.33	283 204.90	628
2.	National Security Agency	412 929.98	255 502.75	391
3.	Police Administration	4 448 626.65	2 507 591.92	5 566
4.	Pre-primary education	836 321.07	524 131.00	1 467
5.	Primary education	4 692 348.32	2 932 304.00	6 987
6.	Secondary education	2 345 219.00	1 488 438.68	3 381
7.	Social welfare centres and institutions	387 314.89	241 257.88	602
8.	Institution for Enforcement of Criminal Sanctions	339 876.40	196 925.96	499
9.	Royal Theatre	11 325.15	7 048.43	20
10.	Montenegrin National Theatre	171 198.00	117 075.72	302
11.	Army of Montenegro	1 897 557.07	1 137 089.26	2 527
12.	Cultural institutions	342 605.51	211 782.02	505
13.	Other state and judicial authorities	4 251 151.15	3 049 995.77	6 299
14.	Forest Administration	250 081.03	156 359.18	494
15.	Employment Office	309 725.06	191 524.58	346
16.	Directorate for Protection of Classified Data	6 453.58	3 976.25	7

Note: Under the sequence number 12 there are cultural institutions financed through the Ministry of Culture, Sports and Media (Public Enterprise (PE) "Maritime Museum of Montenegro", "Regional Institute for Protection of Cultural Monuments", Central national library "Djurdje Crnojevic", PE "Mausoleum of Petar II Petrovic Njegos", PE "National Museum of Montenegro", Republic Institute for Protection of Cultural Monuments, Library for the Blind of Montenegro, PE "Center of Contemporary Art of Montenegro"; Center for Archeological Research of Montenegro, PE "Musical Center of Montenegro", PE "Center of Natural Science of Montenegro", PE Montenegrin film archives, Republic Institute for Protection of Nature.

(Names of the institutions hereabove in Montenegrin: JU "Pomorski muzej CG", "Regionalni zavod za zaštitu spomenika kulture", Centralna narodna biblioteka "Djurdje Crnojevic", JU "Mauzolej Petra II Petrovica Njegosa", JU "Narodni muzej Crne Gore", Republički zavod za zaštitu spomenika kulture, Biblioteka za slijepe Crne Gore, JU „Centar savremene umjetnosti Crne Gore,“; Centar za arheoloska istrazivanja Crne Gore, JU „ Muzicki centar Crne Gore“, JU "Prirodnjacki centar Crne Gore", JU Crnogorska kinoteka, Republički zavod za zaštitu prirode)

IV The wage bargaining process and the social security system

Employees in state funds in September 2009

NAME OF SPENDING UNIT	Number of employees
Pension and Disability Insurance Fund	250
Health Insurance Fund *	8 707
Employment Office	346
Development Fund	15
Compensation Fund	6
TOTAL	9 324

Source: Ministry of Finance

* This number includes employees of the Fund and employees of the public health institutions

Note: For more details, see Chapter - Political criteria, question number 32

c) the share of taxes in the total wage bill, including social contributions paid by employers and employees, and the bracket structure of income taxes;

The share of taxes and compulsory social insurance contributions (paid by employees and employers) in the total wage bill (for 2009), depending on the level of the employee's wage, ranges between 28.2% and 30.2%, while this percentage in 2010 will range between 26.2% and 27.8%, due to lower income tax rates and lower compulsory social insurance contributions. The Ministry will make the analysis of how further cuts in contributions will affect the Budget in the context of the economic crisis, based on which a decision on possible contribution cuts would be made.

A uniform (proportional) tax rate was introduced in 2007 in Montenegro, replacing the earlier progressive rates (15%, 19%, and 23%). Law stipulates the 9% tax rate to be applied from 2010, while there is a transition period envisaged for the application of the rate hereabove. Thus, the rate amounted to 15% for 2007 and 2008, and 12% for 2009.

d) the evolution over 2000-2008 of employees' compensation;

Expenditures for gross earnings and other personal income 2003-2008 in millions of EUR

DESCRIPTION	2003	2004	2005	2006	2007	2008
Gross wages and contributions at the expense of the employer	190.37	219.77	226.42	211.62	256.10	345.71
Other personal income	20.01	22.40	23.36	15.46	27.51	30.50
TOTAL	210.38	242.17	249.78	227.08	283.61	376.21

Source: Ministry of Finance

Note: Refers to the gross earnings of employees who receive a salary from the budget of Montenegro and through state funds (extra-budgetary funds up to 2008).

e) the evolution over 2000-2008 of labour productivity.

Labour productivity defined as gross added value in constant prices per employee in the period from 2003 to 2007 has increased by 48.3%. The productivity indicator was measured based on the total number of formally employed persons, which does not include the self-employed, since there is no reliable data on the number of self-employed persons. In addition, given that the GDP calculation has been revised on several occasions since 2000, and the methodology of the statistical coverage of the number of employed persons has changed, there are available data only for the period from 2002 to 2007. The GDP for 2008 will be published by the end of 2009.

Table: Annual rates of the labour productivity growth

	%					
	2002	2003	2004	2005	2006	2007
Total	9.3	-0.2	10.8	8.1	9.2	13.7

f) the changes in labour productivity in economic sectors and provide indicators of international competitiveness (changes in relative unit labour costs, level and changes in average gross earnings, etc.).

Labour productivity by economic sectors is given as gross added value at constant prices per employee in the sectors of industry, agriculture and services. In the period from 2002 to 2007, the sector of industry has shown a constant labour productivity growth, thus the productivity in the industry sector between 2002 and 2007 has increased by 33.5%. However, the total labour productivity growth was highest in the sector of services, which is not surprising since the service sector has been the mayor GDP growth generator in the period observed.

Table: Annual labour productivity growth rate by economic sectors

	%					
	2002	2003	2004	2005	2006	2007
Agriculture	9.8	-4.6	5.3	4.2	12.3	-4.4
Industry (including Construction)	11.7	2.3	7.1	2.9	6.1	11.6
Services	8.4	-0.3	13.3	11.6	10.3	16.3
Total	9.3	-0.2	10.8	8.4	9.0	13.6

Despite the increasing labour productivity, the observed period between 2002 and 2007 has shown the increase in labour costs. The Table provides labour cost indicators at current prices. However, given that the wage calculation methodology has been changed twice in the past period, in 2002 and 2007, as well as that there are no available relative labour cost indicators (in real amounts), the indicators obtained must be very carefully considered and not taken for granted.

Table: Change in unit labour costs

	Gross wage (in EUR, monthly)	Annual growth rate of nominal gross wages	Average annual labour cost 1 (in EUR)	GDP per employee (at current prices)	Unit labour cost measured as % of GDP per employee	Index of unit labour cost growth	Index of nominal GDP growth per employee
						2001=100	
2001	176	17.3%	2 568	8 304	25.4%	100.0	100.0
2002	193	9.7%	2 816	8 658	26.7%	105.2	104.3
2003	271	n.a.	3 954	9 042	36.0%	141.4	108.9
2004	303	11.7%	4 419	9 907	36.7%	144.2	119.3
2005	326	7.8%	4 764	10 536	37.2%	146.2	126.9
2006	377	15.6%	5 272	11 594	39.1%	153.6	139.6
2007	497	n.a.	6 943	14 525	41.1%	161.4	174.9
2008	609	22.5%	8 886				

n.a. May not be applied due to a change in methodology

According to the data in the table herein, the unit labour costs have increased at faster pace than the GDP growth per employee, thus in 2001 there was a labour cost of EUR 25.4 cents per EUR 1 of GDP, whereby in 2007 there was EUR 41.1 cents the labour cost per EUR 1 of the GDP produced.

¹ Includes gross wages increased by employer's costs, as well as other statutory income, such as meal allowance and holliday allowance.