

# Montenegrin Parliament adopts changes to minimum wage and child allowance

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JADRANKA KALUDJEROVIĆ – EUROPEAN SOCIAL POLICY NETWORK

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*Two proposals that had been in parliamentary procedures for several months, one related to an increase in the minimum wage from the current €222 to €250, and the other to changes to the conditions for receiving a child allowance, were adopted by the Parliament at the end of May 2021. Employers' organisations are dissatisfied with the minimum wage increase because it represents an additional burden for them in the very difficult economic situation caused by COVID-19. By contrast, changes related to the child allowance were welcomed by all social actors as support needed by households with children.*

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## Description

The last change in the statutory minimum wage level in Montenegro was in 2019 after a year of debates within the Social Council (a tripartite body made up of Government, trade union and employer representatives). The minimum wage was then increased from €193 to €222 (which, at that time, corresponded to 43% of the average salary). In February 2021, the parliamentary majority proposed changes to the Labour Law, whereby the minimum wage would be increased by 12.6% (from €222 to €250) as of 1 July 2021 (Parliament of Montenegro, 2021a). This request was followed by the proposal from one of the opposition parties that the minimum wage should be increased to 50% of the average wage, but not lower than €260 (Parliament of Montenegro, 2021b). The Government followed the majority's proposal and suggested that the implementation of the decision should be postponed to the third quarter of 2021. On 27 May 2021, the Parliament of Montenegro adopted changes to the Labour Law, whereby the minimum wage in Montenegro will be increased to €250 as of 1 October 2021 (Parliament of Montenegro, 2021c).

At the same session, the Parliament also adopted changes to another Law, on Social and Child protection, which will provide a child allowance benefit to all children under the age of 6, whatever their household's social status (Parliament of Montenegro, 2021d). Previously, only children of households receiving family material support or other social benefits (such as personal disability allowance, care allowance,

individual activation plan etc.) could receive this allowance. According to the amended law, if the household has between one and five children under 6, each of them will receive the allowance, if it has six or more children under 6, only five will receive it (under the previous law, it was three instead of five children). This limit of 5 would not apply to beneficiaries of the personal disability allowance, the care allowance or to children without parental care. The amended Law sets out the new benefit levels: €30 (instead of 0 before) for children under 6 years of age, €44 (instead of €23) for beneficiaries of family material support and for children whose parents or caregivers have found a job through an individual activation plan, €52 (instead of €31.87) for beneficiaries of a care allowance, and €60 (instead of €39.57) for beneficiaries of a personal disability allowance and for children without parental care.



## Outlook and commentary

Employers' organisations are not satisfied with the proposed changes concerning the minimum wage increase. The Union of Employers demanded that the proposal be withdrawn because it believed that, in the current difficult economic situation caused by the pandemic and marked by limited productivity, this increase would represent a significant burden for employers. The Montenegrin Chamber of Commerce stated that it would only be possible with a tax wedge cut. In addition, both organisations complained that the proposals had not been properly discussed within the Social Council. An

intergovernmental working group will most likely be established in order to discuss possible reductions in taxes and social security contributions on wages.

According to the most recent EU-SILC data (2019) available from Eurostat, households with dependent children (i.e. children under 18 or between 18 and 24 who are economically inactive and live with their parents) were considerably more exposed to the risk of poverty (29.6%) than those without children (13.9%). In addition, 33.7% of children below 18 are at risk of poverty, which is significantly higher than the national average of 24.5%.

There are no official estimates of the financial resources needed for implementation of the changes adopted in relation to the child allowance. A very crude estimate of the monthly costs can be made by multiplying the number of children aged 0-5 years (36,477, according to the 2021 population data projected by the National Statistical Office [Monstat 2021]) by €30, which is around €1.1 million. However, the overall costs would be higher given the increase in other benefit categories.

As illustrated by the poverty risk figures presented above, the income of households with children needs to be supported to protect children from poverty. However, the age limit of the new measure

has raised questions, as all children would need this support, given that child-related costs increase with age. The general view of non-governmental organisations, political parties and unions is that the increase in the initial limit on the number of child beneficiaries from 3 to 5 is already a step forward, since this provides more support to families with a larger number of children, which are usually in a worse financial situation.

## Further reading

Eurostat database, EU Statistics on Income and Living Conditions (EU-SILC, ILC\_LI02 and ILC\_LI03), accessed on 28 July 2021: <https://ec.europa.eu/eurostat/data/database>

Monstat 2021, Population projections data, accessed on 28 July 2021: <https://www.monstat.org/cg/page.php?id=273&pageid=48>

Parliament of Montenegro (2021a), Amendments to the Labour Law: <https://zakoni.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/129/2483-14275-19-1-21-2.pdf>

Parliament of Montenegro (2021b), Amendments to the Labour Law: <https://zakoni.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/129/2483-14320-19-1-21-2-2.pdf>

Parliament of Montenegro (2021c), Law on amendments to the Law on social and child protection: <https://zakoni.skupstina.me/zakoni/web/app.php/akt/2486>

Parliament of Montenegro (2021d), Law on amendments to the Labour Law: <https://zakoni.skupstina.me/zakoni/web/app.php/akt/2483>

Vijesti, Press release, Companies are asking for the duties to be reduced and the minimum to be increased (6 February 2021): <https://www.vijesti.me/vijesti/ekonomija/509931/privrednici-traze-da-se-smanje-dazbine-pa-poveca-minimalac>

## Author

[Jadranka Kaludjerović](#) (Institute for Strategic Studies and Prognoses, Montenegro)

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