



Weekly Briefing

Montenegro Social briefing:

Social peace will not be undermined by new changes in pension legislation?

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Introduction

After a couple of weeks that had taken place in a tense atmosphere caused by the announcement of changes in pension legislation (that called for announcements of many social actors), the situation appears to be stabilizing and that there will be nothing from so called big general strike. However, on the other hand, silent dissatisfaction is caused by the latest changes in fuel prices, which have reached a record high, and this phenomenon happened quite casually alongside the poverty discussion that also marked the previous week.

An agreement on horizon

The dissatisfaction caused by last month's announcements of a new proposal for changes to the pension legislation seems to be reduced, as representatives of the trade unions and the Government of Montenegro changed their original positions in the negotiations. Therefore, there seems to be a solution that would be acceptable to everyone in the society, more precisely to the representatives of the trade unions and the government. Regardless of what kind of opinion about new measures exists among NGOs and other civil society organizations, it seems that, in order to reach an agreement that would not lead to any radical measure (such as a general strike), the most important opinions are those of trade union organizations that were once again brought to life and come together on the social scene. And these opinions are never closer to a common solution, and the law is never closer to generally accepted changes (accepted by all parties in social dialogue).

What has changed in the negotiations? It can be said that both sides have relaxed and reached the endpoint that is acceptable to them (at least for now). And this point means that the Government no longer insists on the condition that

was the stumbling block - both of the satisfied conditions for retirement i.e. 40 years of service and 65 years of age. The new proposal is now much "lenient" - the limit is still 40 years of service, which fits the Government requirements, but the additional requirement is no longer 65 years of age, but 61 years of age. If 40 years of service are not completed, the age required for retirement is 66 years for men and 64 for women. What is an additional "concession" of the government is that all years of service will not be used for the calculation of pension, but one-quarter of the worst, unbridled years will be excluded for the pension average. However, there is also a compromise of trade unions that previously demanded that the average of 20 most successful years of services would be used for pension calculation.

These are the results of the talks between the Ministry of Labour and Social Welfare and Trade Unions. Although the ministry at the beginning decided not to give up and not discuss regarding unions requests, social dialogue and the cooperation of the two largest workers' associations gave a different result. Given that the Trade Unions and the Ministry of Labour have reached an agreement, it is difficult to expect that protests and petitions will be announced for calling a referendum on this issue, although other proposals are still being discussed. After the final discussion, at the session of the Social Council, employers as a social partner will give their final opinion about everything, but they should not be too much an obstacle to the reached agreement, since the issue of length of work required to retire is less important from the employers' perspective than questions about the amount of contributions for pension insurance. After the next session of the Social Council, it is expected that the agreement will be reached. After that the amendments to the Law on Pension and Disability Insurance will be adopted by the Government and then sent to Brussels. In short, it could be said that the proposed amendments are sufficient to avoid disturbing social peace, but they are also such that all sides are somewhat equally dissatisfied. Nevertheless, it seems that after a long time, the common power of the trade unions in the negotiations has been shown, because

until now the two largest trade unions have been mostly disagreeable in terms of a joint appearance.

Nevertheless, this is a sensitive topic, which may not yet be rounded up in a longer period. This is supported by the fact that sixteen amendments to the Law on Pension and Disability Insurance have been in place since the reform began in 2003. Since then, the conditions were stricter for the acquisition of the right to a retirement, while there were many modifications of manner for determination of amount of the pension. Nevertheless, the systemic problems faced by the existing pension system in Montenegro warns us that the existing amendments to the law could be of a temporary nature and that the financial sustainability of the Pension System requires either more radical reform measures or a different pension system. Still, social peace seems to be the current and dominant goal, which mainly hampers some radical reforms.

Poverty in focus - in the expectation of data from official statistics

After the successful reform of pension reform issues, there has been a lot of discussion about the topic of poverty in recent days. One of the main issue is lack of the precise data on poverty in Montenegro. Last available data are from 2013 when poverty rate amounted 8.6%. Since that period Statistical Office of Montenegro - MONSTAT didn't publish data on the poverty, but has started to conduct new research which will provide broad data on this issue. Namely, MONSTAT is finalizing SILC research which is related to the poverty, income and living conditions of citizens. SILC research has been conducted in recent years and currently, MONSTAT processing collected data and the first results will be published until the end of this year. The importance of this research are multiple. First of all, data on poverty in Montenegro will be provided and will be basis for policy making in this area. The special contribution of this research will be data on poverty among children in Montenegro which will enable policy makers to set measures in order to decrease poverty. In addition, the relevance of this issue was pointed out at a conference that was organized by Montenegrin

Academy of Sciences and Art where participants discussed about absolutely and relative poverty. The conference was attended by the Minister of Labour and Social Welfare, representatives of the Academy, University of Donja Gorica, MONSTAT, UNICEF and the Statistical Offices from the region and Europe.

In relation to the poverty, one of the important economic and social issues is fuel prices growth that is affecting social status of people. Namely, during the previous week fuel price increased: from 1.30 EUR/l to 1.35 EUR/l of diesel fuel and from 1.38 EUR/l to 1.41 EUR/l of petrol. This fuel price growth affects social situation and indirectly standard of living of citizens, considering that it is fuelling inflation, primary transportation costs, prices of food products and other products whose important input is fuel. The price trends in the previous period indicates the possibility of reaching the record price of fuel. Namely, record prices were achieved in January 2012 when diesel fuel price amounted 1.38 EUR/l, which is only 3 cents above the current price. Also, the record price of petrol was achieved in September 2012, when it amounted to 1.50 EUR / l for BMB 95 and 1.54 EUR / l for BMB 98, which is close to the current petrol prices.

In comparison to the neighbour countries, prices of the diesel fuel in Montenegro are higher than in Bosnia and Herzegovina and FYR Macedonia, but diesel fuel is cheaper than in Serbia and Albania for 7 cents and 10 cents, respectively. In addition, one litter of diesel fuel is more expensive than in thirteen EU countries. Namely, EU average diesel fuel price is 1.38 EUR/l or 3 cents higher than price in Montenegro. The lowest prices is recorded in Bulgaria and Luxembourg (1.18 EUR), while the highest prices are in Sweden (1.60 EUR). Comparison of prices of petrol (BMB 95) indicates similar trends. Prices in Montenegro are at higher level than the average of the region, which is 1.31 EUR/l. Fuel prices are higher than in Bosnia and Herzegovina, FYR Macedonia and Serbia, but lower than prices in Albania. Price analysis at EU level indicates that petrol prices in Montenegro are approximately at the same level as the EU average, or 1.41 EUR/l in Montenegro versus 1.42 EUR/l in EU. In addition,

prices in the EU range from 1.17 EUR (Bulgaria) to 1.67 EUR (Greece, Italy and Nederland).

The society has been exposed to numerous social issues over the past few days and weeks, such as the discussion on the right to pension, the possibility of dignified life in old age, the distribution and the extent of poverty in Montenegro, as well as certain economic issues that can affect social status such as fuel price growth. And when it seems that one problem is solved (or postponed), there is a new topic that constantly undermines the current social peace.