



Weekly Briefing

**Montenegro social briefing:
Impact of Immigration and Population Change
on Economic and Social Development**
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Impact of Immigration and Population Change on Economic and Social Development

Summary

Migratory movements have been a significant feature of Montenegro over the past few decades. This applies to both external and internal migration. The reasons for intensive migrations were different in different time periods. In any case, all of them have had, and still have a strong impact on the overall socio-economic development of Montenegro. Migration-related policies were not efficient so far. Therefore, migration policies must be approached in a more holistic way.

Introduction

Migration is a significant issue for a small country like Montenegro. During the previous decades, they were both, voluntary and forced the analysis of the volume of migratory movements as well as the socio-economic impact in Montenegro is rather limited due to the lack of precise data on external migration. On the other hand, data on internal migration are quite detailed. Therefore, some conclusions can be drawn from the available data of the Directorate of Statistics, international databases and studies that have dealt with this issue.

Profile and impact of external migrations

During the 20th century, the number of migrants increased. While people from Montenegro left mainly for the sake of a better standard of living, the most massive immigrations to Montenegro were prompted by the security situation in the surrounding countries. It is therefore not surprising that the most intensive immigration was recorded during the 1990s. During this period, Montenegro experienced one of the largest waves of emigration, but at the same time the arrival of a large number of refugees and displaced persons. The volume of immigration to Montenegro in the last decade of the 20th century is approximately equal to the volume of immigration in the fifty years before that decade (during the period 1940-1990). The reason for the high level of immigration in the 1990s, when almost 42,000 migrants

immigrated to Montenegro, can be explained by political instability and war in the region. The largest number of immigrants was realized in 1992, when almost 10 thousand people immigrated to Montenegro. Also, due to the war events in 1999, immigration to Montenegro affected the growth of the total population by almost 8 thousand. The net migration rate was positive until 1995, but it turned to high negative migration rate (-10%) in the period from 1995 to 2000. In addition, the net migration rate, due to the still difficult and delayed transition, remained high until 2005 (-7%) (Kaludjerovic and Grecic, 2012).

During the 2000s, Montenegro went through a period of economic recovery, with GDP consistently recording positive growth rates. Economic growth was particularly evident between 2006 and 2008, with average annual rates reaching 8%. During this period, employment and investment in education and social benefits increased, while sectors such as tourism, construction and banking recorded dynamic growth. As a result of such positive economic developments, Montenegro became a country of immigrants and the migration balance improved significantly. According to censuses from 2003 and 2011, a total of 33,782 migrants immigrated to Montenegro. The largest number moved to the Central Region, where 43.3% of the total number of migrants settled. From the point of view of gender structure, out of the total number of immigrants, 51% are women. The relationship between men and women migrants differs between regions. Thus, the percentage of men who immigrated to the Northern region is higher in relation to the share of women (51.8 versus 48.2), while in the Central and Coastal region the ratio is in favor of women (50.2% in the Central and 53.9% in the Coastal region).

According to census data, four-fifths of immigrants immigrated from the former Yugoslav countries. Immigrants from Serbia make up the largest part, a total of 45.9% immigrated to Montenegro. Almost a fifth of immigrants or 18.1% immigrated from Bosnia and Herzegovina, mostly due to the war in the 1990s. Compared to other countries, a significant percentage are immigrants from Croatia and Kosovo (7.3% and 6.7% respectively). Of the countries outside the region, the largest number of immigrants is from Germany (5.5%), while migrants from other countries make up less than 2% of the total number of immigrants.

The largest share of immigration, 56.9%, is the result of family reasons. Economic factors influenced the 13.5% of the immigrants to migrate to Montenegro, while the smallest number immigrated due to schooling (3.4%). On the other hand, 16.8% of the total number of immigrants moved to Montenegro due to the wars in neighboring countries during the 1990s.

Most of the studies and research deal with the issue of socio-economic consequences of emigration from Montenegro, bearing in mind that Montenegro has a negative migration balance. It is pointed out that a more qualified and more educated workforce is leaving Montenegro, while there is a significant influx of those with lower levels of qualifications who come to Montenegro and fill lower-paid jobs (Golubovic, 2021). Such a situation has consequences on productivity as well as overall social costs. A study examining the economic effects of migration (Institute for Development and Innovation, 2019) attempts to look at such an effect through the cost of education and lost GDP. The above-mentioned study for Montenegro indicates that this cost, depending on the level of education, varies from € 11,000 (per person with completed primary education) to € 51,000 (per person with a PhD degree). According to this study, the estimated total cost of education due to brain drain from Montenegro varied between € 28-78 million per year during previous years. The budget is based on the assumption that those who emigrate have employment in the observed year. Thus, the study indicated the existence of an opportunity cost that in 2018 alone amounted to almost € 60 million in terms of lost gross value added, which is a direct negative effect on potential GDP. Thus, each person leaving Montenegro takes on average more than € 21,000 of some potential future annual GDP with them. On the other hand, the positive effect of the outflow of staff is reflected in the huge inflow of remittances which represented up to 12.5% of GDP in 2020 (Golubovic, 2021)

Also, the impact of migration is strongly felt in some economic sectors. The shortage of labor in some sectors affects the strong influx of labor from neighboring countries. This is one of the most important issues for policy makers in Montenegro. Attempts by active labor market policies to replace immigrant workers with unemployed and inactive Montenegrin citizens have not had a significant effect. Although the tourism sector offers the most employment opportunities, the very nature of these jobs (low wages, often unregistered work) influence that this sector employs mostly foreign labor force. Some recent reports have found that Montenegro experiences a specific characteristic of chain migration. This is due to the fact that domestic labor force prefers to seek better paid jobs in tourism employment abroad, mainly in neighboring countries (such as Croatia) or in the USA, which is more popular among young people and made possible by labor mobility programs. Created labor shortage is filled by immigrant workers from neighboring countries, mostly from Bosnia and Herzegovina, Serbia and North Macedonia. During the period from 2012 to 2019 Montenegro was characterized by net emigration which was mainly the consequence of strong net emigration among the age cohort 25–29 and somewhat lower emigration among the age cohort 15–19. The remaining

cohorts experienced net immigration. Brain drain is more related to specific sectors, rather than for country in general. This is particularly relevant for the health sector (Golubovic, 2021).

Impact of internal migrations

Internal migration in Montenegro also causes significant socio-economic changes, especially at the level of Montenegrin regions. Over the past twenty years, the migration balance in the Northern region has been negative. On the other hand, in the Central and Coastal region, the number of immigrants was higher than the number of emigrants. One of the most important factors and causes of migration in the north - south direction are regional differences in the level of development. As the differences were more pronounced in the past period, so the volume of migration between the regions grew. Measured by the development index, the municipalities from Northern region are at a much lower level of development than those in the Central and Coastal region. The Northern region accounts for just over 50% of Montenegro's average development, while municipalities in the Central and Coastal regions are significantly above average. In addition, the level of competitiveness of municipalities in the Northern region is significantly lower compared to other municipalities. Regional differences in development are manifested in different opportunities for employment and earnings, which determines the population to move to areas that offer greater employment opportunities and a better standard of living. Labor market indicators support this. The unemployment rate in the Northern region was almost twice as high as in other regions, and the level of wages in this region is below average.

Interregional population movements, stimulated by the situation on the labor market, influenced the redistribution of labor within the country. Also, the level of poverty in the regions and internal migration in the observed period were mutually conditioned. On the one hand, the poverty rate has influenced the migration of the population from regions with higher to regions with lower poverty rates. However, such conditioned migrations have influenced the change of the population structure according to the level of poverty both in the regions of emigration and in the regions of immigration. This trend has influenced the changing structure of the population when it comes to the level of poverty. Namely, the poverty rate in the Northern region in 2007 was 14%, while the same in the Central and Coastal region was 6.3% and 2.2% respectively. The migration of the population from the north to the capital and the coast affected the reduction

of the poverty rate in the northern region and the increase in other parts of Montenegro, since the majority of migrants were unemployed.

Interregional migrations also affect the fertility and mortality of the population. Given that a larger number of women leave less developed areas and most often move to the capital, their migratory movements affect the fertility rate both in the previous and in the current place of residence. A similar analysis can be made of the population of the age structure, where migrants are usually younger working age people which may result in a change in the age structure and work contingent in the emigration and immigration area.

Previous analysis has shown that Montenegro faces significant challenges from both external and internal migration. The country's growing openness indicates that migration must be accepted as a real challenge that can provide many opportunities, not just threats. Therefore, migration must be approached in a systematic way, which does not seem to have been the case so far.

Reference

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