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EUROPEAN SOCIAL CHARTER

Ad hoc report on the cost-of-living crisis

submitted by

THE GOVERNMENT OF MONTENEGRO

Report registered by the Secretariat

on 25 March 2024

CYCLE 2024

Appendix

Request for an ad hoc report on the cost of living crisis

Introduction

Since at least late 2021 Europe has seen a very significant rise in cost-of-living. Inflation has reached levels not seen in the last four decades in many countries, its effects hitting disproportionately the most vulnerable, low-income households. In many States Parties wages are failing to keep up with inflation.

Different States have responded in different ways but across the Council of Europe, there have been significant increases in poverty and reduced enjoyment of Charter rights. This is particularly true with regard to rights related to social protection (Articles 12, 13, 16 (family benefits), 30, and 31), the right of workers to remuneration such as will give them and their families a decent standard of living (Article 4§1), and rights adhering to socially vulnerable groups (Articles 15, 17, 19 and 23). The cost of living issue has a broad scope and a pan-European dimension.

The Committee considers that 'social rights and the cost-of-living crisis' is an appropriate topic for an ad hoc report (cf. paragraph 9 of CM(2022)114-final) as, (i) it addresses a key emerging challenge in terms of contemporary rights enjoyed in the Council of Europe area, (ii) it enables the Committee to provide a general [pan-European] overview of national situations in light of this challenge, and (iii) it enables the Committee to refine and develop further its legal analysis from a Charter perspective. This is a new issue for the Committee (and indeed human rights monitoring bodies with a social rights mandate more generally) and it is urgent the Committee should engage with it. Doing such a report would enable the Committee to provide general orientations on the application of the Charter to a crucial emerging issue and to outline the criteria to be applied when seeking to establish whether the situation in a specific State Party satisfies the requirements of the Charter (again drawing on paragraph 9 of CM(2022)114-final).

In developing the following questions on the basis of which the ad hoc reports should be drawn up, the Committee has especially focussed on aspects of 12, 13, 15, 16, 17, 23, 30, 31 and 4§1, in particular aspects related to income and purchasing power. In doing so, we will look at rights related to social protection – namely Articles 12, 13, 16 (family benefits) and 31 – as well as the right of workers to remuneration such as will give them and their families a decent standard of living (Article 4§1). The Committee has also had regard to the cost of living and the right to protection from poverty and social exclusion (Article 30) as well as the situation of groups that have been hit particularly hard by the cost-of-living crisis, such as families with children (Articles 16 and 17), persons with disabilities (Article 15), and older persons (Article 23).

The Committee underlines that the ad hoc report system is quite different in aim and purpose from the statutory reporting process. The Committee's report following the ad hoc reports from States Parties will not be country specific (although it may refer to pertinent law and practice in certain States Parties where appropriate) and it will make no legal assessment of the situation in States Parties in relation to specific Charter provisions. The process is rather aimed at gathering information with a view to the Committee identifying elements of good practice which the

Committee could then use in order to formulate guidance to States or statements of interpretation relating to Charter provisions. Therefore, States Parties should reply to all questions posed irrespective of whether the State Party has accepted the relevant provision of Part II of the Charter (as an example, the Committee wishes to receive information on minimum wages also from States that have not accepted Article 4§1 of the Charter, cf. question 1 to 3 below).

Questions

1) Please provide information as to whether and how the statutory minimum wage is regularly adjusted/indexed to the cost of living. Please indicate when this last happened, specifically whether it has been adjusted /indexed since the end of 2021.

Reply:

Until 01 January 2022, the net amount of the minimum wage in Montenegro was €250. The minimum wage was increased by amendments to the Labor Law that entered into force on 01 January 2022, since when net minimum wage is €450.

Namely, Article 101 of the Labor Law stipulates that an employee has the right to a minimum wage for standard work performance and full-time work, that is, working time that is equal to full-time work in accordance with this law, the collective agreement and the employment contract.

The stated minimum salary, in net amount, cannot be lower than 450€.

The amount of the minimum wage is determined by the Government of Montenegro at the proposal of the Social Council of Montenegro, on an annual basis, based on the criteria for determining the level of minimum wages, namely:

- the general level of wages in the country;*
- living expenses and changes in them;*
- economic factors, including the requirements of economic development, the level of productivity and the need to reach and determine a high level of employment.*

The average number of employees who received a minimum wage of €450 in 2022 was 32,989.

The average salary (gross) in January 2023 in Montenegro was 940 euros, while the average salary without taxes and contributions (net salary) was 757 euros. The average (net) salary in January 2023 compared to December 2022 recorded a growth of 4.1%, while the average (net) salary in January 2023 compared to the same month of the previous year recorded a growth of 10.3%.

The average salary (gross) in June 2023 in Montenegro was 991 euros, while the average salary without taxes and contributions (net salary) was 795 euros. The average (net) salary in June 2023 compared to May 2023 recorded a growth of 0.3%, while the average (net) salary in June 2023 compared to the same month of the previous year recorded a growth of 12.3%.

The average salary (gross) in November 2023 in Montenegro was 1007 euros, while the average salary without taxes and contributions (net salary) was 807 euros. The average (net) salary in November 2023 compared to October 2023 recorded an increase of 0.5%, while the average (net)

salary in November 2023 compared to the same month of the previous year recorded an increase of 11.9%.

In the third quarter of 2023, the active population in Montenegro was 333.4 thousand, of which 294.1 thousand or 88.2% were employed and 39.3 thousand or 11.8% were unemployed.

The number of employees compared to the previous quarter increased by 5.0%, and compared to the same quarter of the previous year, it recorded a growth of 12.5%.

Compared to the previous quarter, the number of the unemployed decreased by 5.5%, and compared to the same quarter of the previous year, it recorded a decrease of 0.3%.

The population outside the labor force (age 15-89) is 167,000 people. Compared to the previous quarter, the number of the population outside the labor force decreased by 6.0%, and compared to the same quarter of the previous year, it recorded a decrease of 15.6%.

The prices of personal consumption products and services, measured by the consumer price index, in January 2023 compared to December 2022 were on average 0.4% higher. Consumer prices in January 2023, compared to the same month of the previous year, are on average higher by 16.2%. The biggest impact on the monthly inflation rate was the increase in prices in the following groups: bread and cereals; milk, cheese and eggs; tobacco; hairdressing services and other personal care services; oils and fats; short-term goods for routine household maintenance; meat; other devices, objects and products for personal care. Consumer prices in the period January-December 2022, compared to the same period of the previous year, are on average higher by 13.0%.

Furthermore, in the reporting period, the General Collective Agreement was entered into on 30 December 2022. The legal basis for the execution of this collective agreement derives from the provisions of the Labor Law, which prescribes that a greater scope of rights and more favorable working conditions than those established by law may be established by a collective bargaining agreement.

The scope of application of the collective agreement refers to employees who work on the territory of Montenegro, whether with a domestic or foreign legal entity, as well as to those employees who are sent to work abroad by an employer based in Montenegro, to employees in state bodies, state administration bodies, local self-government units and public services. Namely, in relation to the provisions of the current collective agreement, the provisions of the Proposal of the general collective agreement apply to employed foreigners working on the territory of Montenegro as well as to the self-employed.

The calculated value of the coefficient as one of the elements for calculating wages is determined by a separate agreement, however, the contracting parties undertake to review the calculated value by 31 December of the current year, taking into account the general level of wages in the country, the growth of the inflation rate, the changes in the market basket, the cost of living and changes thereof, economic factors, including the requirements of economic development. It should be noted here that if the parties do not agree on the amount of the coefficient value, the one that was agreed upon for the previous period shall be applied.

Bearing in mind the changes in financial regulations, as well as the application of measures of the new tax policy in relation to salary calculation, the coefficients for salary calculation determined by the general collective agreement have been increased, ranging from 3.30, which is the amount for the entry level, to 7, which is the amount for the eight or highest degree of education, meaning a

PhD. In the previously valid General Collective Agreement, the coefficients ranged from 1.03 to 4.12.

In addition, when it comes to the basis for increasing wages, we should point out that in addition to the previously valid basis for working at night, working on national or religious holidays, overtime, the same has been extended to work on Sundays, namely not less than 80% per hour and for double shifts not less than 10% per hour.

The above is prescribed especially for the reason that Sunday is a non-working day in accordance with the provisions of the Labor Law, however, an employer who cannot provide an employee with that day as a non-working day is obliged to provide him with another day in the week as a free day. Bearing in mind the social importance as well as the needs of the employees, the issue of increasing wages for work on Sundays was arranged through the social dialogue. However, due to the nature of the work of certain industries whose operations require work on Sundays, exceptions are prescribed for those employees who work in shifts, as well as employees who work in hotels and public passenger transport. Likewise, the application of increased wages for work on Sundays to media employees within 6 months from the entry into force of this collective agreement, which was given as a time frame for the conclusion of the branch collective agreement, was postponed.

Also, in relation to the salary increase related to double shifts, and also bearing in mind the fact that certain activities require double shifts, which is determined based on the number of hours, these employees do not have the right to a salary increase on this basis.

As a special novelty prescribed by the provisions of this collective agreement, the salary increase based on night work and work during holidays are not included in the calculation of the minimum wage, but are added to the amount of the minimum wage. This is due to the discrimination of those employees who worked at night, during holidays, and would receive the same salary as those employees who did not, which is the amount of the minimum salary guaranteed by the Labor Law in the amount of 450 euros.

Also, on-call duty has been introduced as a basis for salary increases, which until now was not prescribed by the provisions of this collective agreement. Earnings on the basis of on-call duty are increased for each hour of being on-call in the amount of 10% of the price of the hour determined according to the basic salary of that employee. The on-call duty as such shall be prescribed by the act of the employer, that is, by the act of the Government for employees in the public sector, with the fact that its duration is limited to 10 days per month, unless otherwise determined by the branch agreement, collective agreement with the employer, or by an act of the Government of Montenegro.

In addition, since the end of 2021, a significant number of branch collective agreements have been executed, most often due to the reason for increasing the coefficients for calculating wages by education qualification levels and the complexity of jobs.

The branch collective agreement for the area of public administration and justice entered into force on 15 February 2023. The new contract regulates salary coefficients for all employees who belong to the group of expert-managerial, expert and executive staff. At the same time, the coefficient was increased by about 25%, as well as the equalization of wages in administrative bodies, courts, prosecutor's offices, for work in the same or similar jobs and jobs that require the same level, or sub-level of qualifications. Depending on the macroeconomic parameters and spending limits that will be established during the current and next year, in accordance with the Law on Budget and Fiscal Responsibility, the possibility of an additional increase in wage coefficients of 10% each for

2024 and 2025 will be considered.

The signed contract, for the first time, foresees the way of solving housing issues of civil servants and state employees, while the percentage for overtime and night work has been increased from 40% to 50%. Also, for the first time, the opportunity was given to increase the salary of civil servants based on having obtained a masters degree, for those who obtained this scientific title by 2017, as well as for PhDs.

This is the first increase in the coefficients for civil servants and state employees since 2016, when the Law on Salaries of Public Sector Employees was passed and refers to the increase in salaries for about 12 thousand employees.

The branch collective agreement for the healthcare sector was amended for the first time in December 2022 in accordance with the social dialogue with the representative healthcare unions. With these changes, the salaries of employees in the health system from 01 January 2022 have been increased by 30-40 percent for medical personnel, and between 13-26 percent for non-medical personnel. In addition, the salaries of non-medical staff were also increased by new changes to the Branch collective agreement for health care as of 01 December 2022.

The branch collective agreement for the field of education was amended on 30 December 2022. With the amendments to this collective agreement from 01 January 2023, all job complexity coefficients for salary calculation have been increased by 20%. It is predicted that these coefficients will increase from 01 January 2024, as well as in 2025, by an additional 10 percent. What is also an integral part of this Branch collective agreement are mandatory jubilee awards, an increase in the coefficient for hygienists in the value of 45 percent, and 25 percent for the job categories: janitor, stoker, driver, warehouseman - level III, as well as an increase of 25 percent for food preparation jobs (chef) - III degree, while for IV degree an increase of 20 percent is foreseen.

In addition to the above, other branch contracts and contracts at the employer level were entered into, which provided provisions for increasing the coefficients for calculating wages. These agreements include: Branch collective agreements for housing and communal activities, for the field of culture, for social activities, for institutions for housing of pupils and students and branch collective agreements for seafarers on ships in international navigation.

- 2) *Please provide information on any supplementary measures taken to preserve the purchasing power of the minimum wage since the end of 2021.*

Reply:

Bearing in mind the inflationary pressures caused by the global crisis due to the war in Ukraine, during 2022 measures were implemented with the aim of mitigating the effects of the crisis on the standard of citizens. At the same time, the implementation of these measures resulted in a decrease in budget revenues, the most significant of which are the following:

- adoption of the Decision on the reduction of the amount of excise duty on the sale of unleaded gasoline and gas oils, according to which the excise duty on the sale of these products was reduced by 50% and 40%, respectively, depending on the price trend;*

- reduction of the VAT rate for the sale and import of the following products: 0 flour and sunflower oil from 7% to 0%, until 31 December 2022;
- salt from 21% to 7%, until 31 December 2022;
- heating pellets (biomass heating, pellets, briquettes) from 21% to 7%, until 31 December 2022;
- bread at a rate of 0%.

In response to the problem of rising prices of basic foodstuffs and high inflation rates, the Government of Montenegro agreed with the representatives of the largest retail chains in the country on a multi-month action called "STOP INFLATION", which entails the formation of the so-called "anti-inflationary baskets". The goal of this action and the introduction of the anti-inflationary basket is to reduce the pressure on the living standards of citizens and contribute to the stabilization of the prices of basic foodstuffs.

The anti-inflationary basket was formed in such a way as to contain at least one item from each of the 25 types of agreed products. The selection of the specific item from the defined type of product is made by the trader himself and forms the price in accordance with the previously reached agreement with the Ministry of Economic Development and Tourism (the trade margin in retail should not exceed 5%, while the trade margin in wholesale is also limited to 5%). The campaign "STOP INFLATION" lasted from the end of March to the end of June 2023 and produced great results, so product prices were on average 20 percent lower, and for some products up to 30 percent more. In addition, there was a significant reduction in the final prices of a large number of products from significantly more categories than were included in the anti-inflationary basket, as a result of sellers' desire to be more price competitive and attract consumers. Encouraging competition in the retail and wholesale markets had multiple positive effects. In addition to retail chains that mainly deal in the sale of consumer goods, numerous pharmacies, sellers of technical devices and telecommunication operators later joined the action, and in agreement with the Ministry, special conditions and categories of products were defined in accordance with the specifics of new sellers.

At the end of September 2023, the Ministry of Economic Development and Tourism, in cooperation with representatives of retail chains, retail and wholesale stores, distributors, as well as other interested entities, agreed on the continuation of the Stop Inflation campaign called "STOP INFLATION 100+", which aimed to protect citizens' living standards and reducing inflation. Based on the results of the previously implemented "STOP INFLATION" action, which lasted from the end of March to the end of June 2023, and which led to the fact that the prices of products from the anti-inflation basket were on average 20 percent lower, and certain categories of products cheaper by more up to 30 percent, a similar model was created.

The action "STOP INFLATION 100+" started on 02 October 2023, according to the following model:

- Traders are obliged to define a list of at least 100 products for which they will reduce prices in such a way as to establish a maximum retail and wholesale margin of 5%, while for traders with less than 100 employees, the anti-inflation basket includes a list of at least 50 products.

- *Products from the anti-inflation basket will be marked in the same way as in the previous campaign "Stop Inflation".*
- *The choice of the specific product is made by the traders who form prices in accordance with the previously reached agreement with the Ministry.*
- *The traders are obliged to keep special records on the types, prices and charged margins for individual products included in the list and submit them for inspection at the request of the Ministry and/or competent inspection.*
- *All merchants have the possibility to expand the list of products, the merchant can change products depending on availability and stock, on a monthly basis.*
- *For merchants who sell a specific type of goods (such as technology, cosmetics, etc.), the anti-inflation basket will be adjusted to that type of product.*

General conditions for product selection:

- *The product must not be past its expiration date and must not be defective or damaged.*
- *The product must not be of worse quality than the average quality of the product of a certain type, and it is desirable that the basket also contains products of better quality, i.e. premium products.*

The action "STOP INFLATION 100+" is planned to last until 31 December 2023.

The action was joined by a large number of companies and almost all retail and wholesale stores dealing in consumer goods. In addition to retail chains that mainly deal in the sale of consumer goods, pharmacies, sellers of technical devices, sellers of clothes and shoes, as well as numerous other companies that, in agreement with the Ministry, defined specific conditions for a certain category of products later joined the campaign.

Based on the relevant data of the MONSTAT data for October 2023, it can be seen that the prices of personal consumption products and services, measured by the Consumer Price Index (CPI), in October 2023 compared to September 2023 were on average 0.3% lower.

Based on data on the Harmonized Index of Consumer Prices (HICP), which is based on an internationally comparable consumer basket, prices in October 2023 compared to September 2023 are on average lower by 0.7%.

The product groups covered by the action had a negative monthly inflation rate, namely:

- *vegetables -6.4%*
- *fruit -6.6%*
- *milk, cheese and eggs -1.0%*

while the prices of other product groups such as: clothing, footwear, fuel, which are not included in

the "STOP INFLATION 100+" action, recorded an increase.

Consumer prices in October 2023, compared to the same month of the previous year, are on average higher by 6.1%, which is a decrease in the inflation rate compared to the previous months and the beginning of the year when the rates were in double digits.

Analyzing the monthly inflation rates, it can be clearly seen that only in the months when actions aimed at reducing prices were launched, negative monthly inflation rates occurred (March and October), while in other months price growth was recorded.

Based on the data of the Directorate for Inspection Affairs and the regular monthly monitoring carried out by the Ministry of Economic Development in the period from September to November 2023, there was a decrease in the average retail prices for the following categories of products:

- Lamb and mutton -4.5%*
- Yogurt -4%*
- Veal and beef -16%*
- Potatoes -12.3%*
- Milk -14%*
- Chicken meat -5.4%*

As a result of the implementation of the "STOP INFLATION 100+" action, there was a significant reduction in the sales prices of a large number of products, and therefore the stimulation of competition on the retail and wholesale markets had multiple positive effects on consumers.

The price of electricity in Montenegro for households has not increased significantly and amounts to 9.7 euro cents/kwh in the first half of 2022. In the second half of 2022, the price of electricity was 10.3 euro cents/kwh.

The first legal basis in order to ensure the stability of the prices of oil derivatives as well as the protection of the living standards of citizens due to their increase in the world market, was the Law on Amendments to the Law on Excise Taxes, which was passed by the Parliament of Montenegro on 05 May 2022, and by which, given the possibility to the Government of Montenegro that, in the event of a significant increase in the prices of mineral oils on the world market, it can make a decision to reduce the amount of the excise duty by up to 50%, for unleaded gasoline and gas oils, for a period of up to three months. After that, at the proposal of the Ministry of Finance, the Government made a decision on reduction six times, namely:

- On May 9, 2022, it passed the Decision on reducing the amount of excise duty for the sale of unleaded gasoline and gas oils ("Official Gazette of Montenegro", number 50/22), by 40%. According to the aforementioned decision, the amount of the excise duty amounted to:

- for unleaded gasoline - 329 euros for 1000 liters (0.329 euros per liter)

- for gas oils used as motor fuel - 264 euros for 1000 liters (0.329 euros per liter).
- New Decision on reducing the amount of excise duty for the sale of unleaded gasoline and gas oils ("Official Gazette of Montenegro", No. 59/22), which provides for a reduction of excise duty by 50%, in the period from 07 June to 05 July 2022, and for:
 - for unleaded gasoline - 275 euros for 1000 liters (0.275 euros per liter)
 - for gas oils used as motor fuel - 220 euros for 1000 liters (0.220 euros per liter).
- The validity of the reduction of excise duty by 50% was extended until 30 August 2022, for unleaded gasoline and gas oils used as motor fuel, when the Decision on amending the decision on reducing the amount of excise duty for the sale of unleaded gasoline and gas oils was adopted ("Official Gazette of Montenegro", number 70/22).
- On 25 August 2022, the Decision on amending the decision on the reduction of the amount of excise duty for the sale of unleaded gasoline and gas oils ("Official Gazette of Montenegro", number 95/22), which extended the validity of the reduction of excise duty by 50% until 30 September 2022, for unleaded gasoline and gas oils used as motor fuel.
- On 29 September 2022, the Decision on amending the decision on the reduction of the amount of excise duty for the sale of unleaded gasoline and gas oils ("Official Gazette of Montenegro", number 107/22), which extended the validity of the reduction of excise duty by 50% until 01 November 2022, for unleaded gasoline and gas oils used as motor fuel.
- on 27 October 2022, adopted the Decision on amendments and additions to the Decision on reducing the amount of excise duty for the sale of unleaded gasoline and gas oils ("Official Gazette of Montenegro", number 120/22), which prescribed a reduction of the amount of excise duty by 40%, in for the period from 08 November to 06 December 2022, while the same decision prescribes a reduction of 25%, which will be valid from 06 December 2022 to 03 January 2023.
- On 30 December 2022, passed the Decision on reducing the amount of excise duty for the sale of unleaded gasoline and gas oils, which proposes to reduce the amount of excise duty by 15% for the period from 04 January to 27 February 2023. The aforementioned decision prescribes a reduction in the excise duty for unleaded gasoline and gas oils, which will: for unleaded gasoline amount to 467 euros per 1,000 liters and for gas oils to 374 euros per 1,000 liters.

These Decisions were made with the aim that citizens and the economy would have cheaper fuel in Montenegro, that is, that they would more easily bear the consequences of global market shocks. Therefore, the Government showed full responsibility, reacting in a timely manner in order to significantly contribute to the reduction of fuel prices, eventhough the decrease of the excise duty evidently had a negative reflection on public revenue.

3) For States Parties with no statutory minimum wage, please describe any measures taken to preserve the purchasing power of the lowest wages since the end of 2021.

N/A

4) Please provide information as whether the cost of living crisis has led to the extension of in-work benefits.¹

Reply:

Amendments to the Labor Law, which entered into force on 01 January 2022, had a positive and direct impact on the increase in the standards of employees in such a way that the minimum wage increased from 250 euros to 450 euros. Likewise, the increase in the amount of the minimum wage did not have a negative impact on employers due to the fact that through the "Europe Now" Program, changes in tax regulations were foreseen with the aim of reducing the tax burden on wages.

The starting points for changes to the Labor Law as well as the introduction of a new labor taxation model in Montenegro were:

- high tax burden on labor and the demands of employers' associations for its reduction;
- the low standard of living of employees with the lowest incomes and the demands of trade union associations for an increase in the minimum wage;
- the determination of the Government of Montenegro to ensure a lower tax burden on labor with the instruments of fiscal policy, and by increasing the tax burden through the introduction of a progressive rate of income and profit tax and other tax interventions, which will compensate for the lost budget revenues.

Based on the above, the following changes to the tax burden on work were proposed:

- increase of the minimum wage to 450€ in net amount;
- introduction of a non-taxable part of income of 700€ on the gross basis (income tax rate of 0% on the gross basis up to 700€);
- introduction of an increased income tax rate of 15% on the gross base above 1,000€;
- abolition of the obligation to pay contributions for compulsory health insurance (abolition of the contribution rate at the expense of both the employee and the employer).

With the proposed reform, the tax burden on labor in Montenegro was reduced from 39%, for all income levels, to 20.4% for the level of the new minimum wage (450€), and then progressively increases with the growth of wages up to the level of 31,3% for the level of net earnings of €2,000 and beyond, depending on the earnings level. The proposed reform achieved the following goals:

- the standard of living of all employees was improved, especially those with the lowest incomes, which had a particular impact on the reduction of income inequality;
- the tax burden on labor was reduced, which created the conditions for reducing the "gray economy" on the labor market, i.e. encouraged formal employment.

The savings achieved by the employer refer to the amount of the abolition of health insurance

contributions at the expense of the employer and the savings that are achieved based on the proportional reduction of the cost of surtax (by introducing a non-taxable part of the salary), while the amount of the previous health insurance contribution at the expense of the employee and the non-taxable part of earnings redirects to the employee's net earnings. A special quality of this reform is the decision for employers to redirect the savings achieved on the basis of the reduction of the tax burden on labor (the amount of the previous contribution on the basis of health insurance) to the increase of the amount of the employee's salary, to which he is bound by the provisions of the Labor Law. Namely, with the aforementioned amendments, a provision was introduced into the Labor Law, which obliges the employer, in the event of the abolition or reduction of the personal income tax rate, i.e. the contribution for mandatory social insurance at the expense of the employee, the amount of funds that would have been calculated in accordance with the law, suspended and paid on the basis of that tax, i.e. contribution in the part that is abolished, i.e. reduced, shall instead be paid to the employee as part of the salary. In the mentioned way, the increase of all wages in the state was ensured, which improved the living standard of employees.

Also, the General Collective Agreement and branch collective agreements introduced additional bases for salary increases and increased coefficients for salary calculation, as stated in the answer to question number 1.

- 5) *Please provide information on changes to social security and social assistance systems since the end of 2021. This should include information on benefits and assistance levels and the allocation of benefits*

Reply:

In the field of social and child protection, the amendments to the Law on Social and Child Protection ("Official Gazette of Montenegro", number 59/21) introduced a new category for beneficiaries of the right to child allowance, so that in addition to the health and socially vulnerable categories of children, the right to children's allowance is also available to other children up to the age of 18, up to a maximum of 5 children in the family in the monthly amount of 30 euros. The law does not prescribe the adjustment of the amount of the said fees. The number of users of this right is 119125.

The Law on Compensation of Former Beneficiaries of Benefits Based on the Birth of Three or More Children ("Official Gazette of the Republic of Montenegro" No. 145/21) introduced a new right for former beneficiaries of monthly benefits based on the birth of three or more children, to whom that right belonged in the period from 01 January 2016 to 30 June 2017, in accordance with Article 4 (Articles 54a and 54b) of the Law on Amendments to the Law on Social and Child Protection ("Official Gazette of Montenegro 42/15"), if this right has been revoked. The right to compensation also belongs to beneficiaries whose legal status is regulated by Article 2 of the Law on the Execution of the Decision of the Constitutional Court of Montenegro U-I No. 6/16 dated 19 April 2017 ("Official Gazette of Montenegro", No. 42/17, 92/17, 3/18, 28/18 and 55/18), after the expiration of the period of use of the compensation prescribed by that law. The number of beneficiaries of this right is 14385.

The Law on Amendments to the Law on Social and Child Protection ("Official Gazette of Montenegro", No. 3/23) significantly increased the amount of the right to one-time compensation for a newborn child to 900 euros, while for beneficiaries of basic social security this compensation is 1000 euros. The number of beneficiaries of this right last year was 460.

In accordance with the provisions of the Law on Pension and Disability Insurance, the Pension and Disability Insurance Fund adjusted pensions and other rights from pension and disability insurance by 2.13% from 01 January 2022, in accordance with the methodology established by the Law. The average pension for January 2022 was 299.06 euros, while the average pension for June 2022 was 328.69 euros.

In addition to the regular pension payment in November 2022, funds were provided for the payment of one-time cash assistance to pensioners with the lowest incomes, including beneficiaries of the right to a proportional pension. One-time assistance was granted to certain categories of pensioners who were in the payment base for November 2022, depending on the amount of the pension.

The payment of one-time aid started on 20 December 2022, in the following amounts:

- 200 euros - to pensioners who receive a pension in the amount up to the average pension, which amounts to 359.31 euros,*
- 100 euros - to pensioners whose pension amount ranges from the average pension to the amount of the minimum wage, i.e. from 359.32 to 450.00 euros,*
- 50 euros - to pensioners whose pension amount ranges from the amount of the minimum wage to the amount of the consumer basket, i.e. from 450.01 to 793.90 euros.*

Proportionate pension beneficiaries received one-time assistance in the following amounts:

- 100 euros - users of a proportionate pension who receive a pension up to the amount of the average pension, which amounts to 359.31 euros and*
- 50 euros - to beneficiaries of a proportional pension whose pension amount ranges from the average pension to the amount of the consumer basket, i.e. from 359.32 to 793.90 euros.*

The total funds for the payment of one-time assistance to pensioners amounted to 17.10 million euros.

The average pension for January 2023 was 373.92 euros, for June 406.11 euros, while the average pension for December was 424.82 euros.

- 6) *Please provide information as to whether social security benefits and assistance are indexed to the cost of living, as well as information in particular on how income-replacing benefits such as pensions are indexed. Please indicate when benefits and assistance were last adjusted/indexed.*

Reply:

In accordance with the provisions of the Law on Social and Child Protection, benefits are adjusted semi-annually along with the movement of the cost of living and the average salary of employees in the territory of Montenegro based on statistical data from the previous half-year in a percentage that represents the sum of half of the growth in the cost of living and half of the growth in wages.

The Law on Pension and Disability Insurance stipulates that the value of the pension for one personal point is adjusted from 01 January, 01 May and 01 September of the current year, based on statistical data, along with the movement of consumer prices and average earnings of employees in the territory of Montenegro in the previous four months in relation to the four months preceding them, namely:

- in a percentage that represents the sum of 75% of the growth or fall in consumer prices and 25% of the growth or fall in wages if the rate of change in the consumer price index is greater than the rate of change in the wage index, or equal to that rate;

- in a percentage that represents the sum of 25% of the growth, i.e. the fall in consumer prices and 75% of the growth, i.e. the fall in wages, if the rate of change in the consumer price index is lower than the rate of change in the wage index.

If the percentage representing the sum of the percentage of growth or decline in consumer prices and the percentage of growth or decline in wages would lead to a negative adjustment, the value of the pension for one personal point and the pensions are not adjusted.

In accordance with the above, pensions and other rights from pension and disability insurance are harmonized in the percentage shown in the following table:

in 2022 (%)	In 2023 (%)
01 Jan 2022: 2,13%	01 Jan 2023: 2,5%
01 May 2022: 8,15%	01 May 2023: 5,4% + 2,95% extraordinary adjustment
01 Sep 2022: 4,35%	01 Sep 2023: 2,45% + 2,55% extraordinary adjustment
Extraordinary adjustment of the minimum pension:	
01 Jan 2022: 36%	
01 Sep 2022: 10%	

7) Please provide information as to whether any special measures have been adopted since late 2021 to ensure persons can meet their energy and food costs, such as price subsidies for energy, fuel, and basic food items.

Reply:

When it comes to the payment of energy costs, the Government of Montenegro adopted back in 2007 the Program for subsidizing monthly bills for the most vulnerable category of the population, which is continuously applied every year.

8) Please provide up-to-date information on at-risk-of-poverty rates for the population as a whole, as well as for children, families identified as being at risk of poverty, persons with disabilities and older persons. Please show the trend over the last 5 years, as well as forecasts for upcoming years.

Reply:

The Survey on Income and Living Conditions (EU-SILC) is an annual survey that has been regularly conducted by the Statistical Office since 2013. The data collected through this research represent the basis for calculating indicators of poverty and social exclusion for Montenegro. The indicators are based on the concept of relative poverty, which takes into account disposable household income, the number of members in the household (household size) and the distribution of income within the population.

According to the data of the Statistical Office of Montenegro (Monstat) in 2018, the poverty risk rate was 23.8%, which shows the percentage of the population with an income below the poverty risk threshold, but this does not mean that they are really poor, but that they have a higher risk of being so. The poverty risk rate compared to 2017 was higher by 0.2 percentage points. With increasing age, the poverty risk rate decreases, so that in 2018, 32.4% of children up to the age of 17 were at risk of poverty, followed by persons aged 18-24 (25%). The middle generations (ages 25-64) are below average at risk, while citizens aged 65 and over (15.3%) are at the lowest risk of poverty. In households without dependent children, the poverty risk rate in 2018 was 15.2% (19.3% for one-person households and 14.9% for two-person households without children). On the other hand, households with dependent children were more exposed to the risk of poverty, 27.9% compared to households without children (15.2%).

In 2019, the poverty risk rate was 24.5%, which shows the percentage of persons whose equivalent disposable income is below the poverty risk threshold. Observed according to age, persons under the age of 18 were most exposed to the risk of poverty (33.7%), as well as persons aged 18 to 24 (30.5%). People aged 65 and over had the lowest rate of risk of poverty (15.1%). According to the type of household, the highest rate of risk of poverty was experienced by persons in households consisting of two adults with three or more dependent children (45.0%), followed by persons in households consisting of one (single) parent with one or more dependent children (35.4%).

The poverty risk rate in 2020 was 22.6%, which shows the percentage of persons whose equivalent disposable income is below the poverty risk threshold. These persons are not necessarily poor, they just have a higher risk of being poor, because their equivalent disposable income is below the poverty risk threshold. Observed according to age, persons under the age of 18 were most exposed to the risk of poverty (32.6%), as well as persons aged 18 to 24 (25.2%). People aged 65 and over had the lowest rate of risk of poverty (15.5%). According to the type of household, the highest rate of risk of poverty was experienced by persons in households consisting of two adults with three or more dependent children (45.4%), followed by persons in households consisting of one adult with one or more dependent children (36, 6%).

The poverty risk rate in 2021 was 21.2%, which shows the percentage of persons whose equivalent disposable income is below the poverty risk threshold. According to the type of

household, in 2021, the highest risk of poverty rate was for persons in households consisting of one adult with at least one dependent child (47.4%), followed by persons in households consisting of two adults with three or more dependents children (44.8%). Observed by age, in 2021, persons under the age of 18 were most exposed to the risk of poverty (30.5%), as well as persons aged 18 to 24 (24.7%). People aged 65 and over had the lowest rate of poverty risk (13.8%).

In 2022, the poverty risk rate was 20.3%, which shows the percentage of persons whose equivalent disposable income is below the poverty risk threshold. According to the type of household, in 2022, the highest risk of poverty rate was for persons in households consisting of one adult with at least one dependent child (47.9%), followed by persons in households consisting of two adults with three or more dependents children (37.6%). Observed by age, in 2022, persons under the age of 18 were most exposed to the risk of poverty (28.4%), as well as persons aged 18 to 24 (25.8%). People aged 55 to 64 had the lowest rate of risk of poverty (13.4%).

When it comes to salaries in Montenegro, according to the data of the Administration for Statistics of Montenegro, at the level of 2023, the average gross salary was 987 euros, while the average net salary was 792 euros. If it is taken into account that consumer prices in 2023 compared to 2022 recorded a growth of 8.6%, it follows that real wages for the same period recorded a growth of 2.4%.

At the level of 2022, the average gross salary was 883 euros, while the average net salary was 712 euros. If it is taken into account that consumer prices in 2022 compared to 2021 recorded a growth of 13.0%, it follows that the real wages for the same period recorded a growth of 18.4%.

At the level of 2021, the average gross salary was 793 euros, while the average net salary was 532 euros. If it is taken into account that consumer prices in 2021 compared to 2020 recorded a growth of 2.4%, it follows that the real wages for the same period recorded a decline of 0.9%.

- 9) Please provide information on what measures are being taken to ensure a coordinated approach to combat poverty as required by Article 30 of the Charter, and to diminish reliance on last-resort relief, such as food banks and soup kitchens.

Reply:

Current situation in the area of material benefits from the area of social and child protection

In order to protect materially and health-impaired citizens of Montenegro based on prescribed criteria, in addition to citizens of Montenegro, basic rights to material benefits can be exercised by foreigners with approved temporary and permanent residence in the country, as well as asylum seekers and foreigners under subsidiary protection who have achieved that status in accordance with the law.

• *Basic material benefits from social protection*

In December 2023, 5,669 families with 19,144 members exercised the right to financial support. EUR 705,245.00 has been allocated for these purposes. From January, the amount of benefits will range from 87.91 euros for a family with one member to 167.14 euros for a family with five or

more members.

In December 2023, 3,648 beneficiaries were entitled to personal disability benefits, for which 1,062,933.00 euros were allocated. The amount of the fee will be 297.36 euros from January 2024.

In December 2023, 30,147 beneficiaries were entitled to the allowance for care and assistance, for which purposes 2,685,366 euros were allocated. The amount of the fee will be 87.24 euros from January 2024.

In December 2023, 2,996 beneficiaries exercised the right to compensation for the parent or guardian of the beneficiary of the right to personal disability allowance, for which purpose 2,685,366.00 euros were allocated. The amount of the fee will be 257.64 euros from January 2024.

- *Basic material allowances from child protection*

In December 2023, 11,433 children from 5,721 families realized the right to an allowance for children who exercised that right according to social protection criteria, for which purpose 660,000.00 euros were allocated. From January 2024, the amount of compensation for a child of a beneficiary of material security will be 55.75 euros, a child of a personal disability benefit beneficiary 76.03 euros, a child of a care and assistance allowance beneficiary 65.88 euros and a child without parental care 76.03 euros.

In December 2023, 119,125 children from 66,853 families were entitled to child allowance for children without social protection criteria, for which purpose 3,739,620.00 euros was allocated. The amount of the fee is 30.00 euros, for which the adjustment of the amount is not prescribed.

In December 2023, 460 children were entitled to compensation for a newborn child, for which 479,428.00 euros were allocated. The amount of the one-time compensation from January 2024 will be 986.17 euros, and for beneficiaries of material security 1,095.74 euros.

In December 2023, 5,067 employees received the right to reimbursement of wages and wages for half-time work, for which purposes 2,408,000.00 euros were allocated. The compensation amounts are determined in relation to the amount of funds that the employer pays to the employee in the name of salary compensation or salary compensation for half-time work in the gross amount, i.e. with taxes and contributions prescribed by law.

In December 2023, the right to compensation based on the birth of a child is realized by 2,131 beneficiaries, for which purposes 215,285.00 euros have been allocated. The amount of the fee will be 105.50 euros from January 2024.

- *Harmonization of the amount of basic material benefits from social and child protection*

The Law on Social and Child Protection, Article 38, Paragraph 1 and Article 58 prescribes that the amount of material benefits is adjusted semi-annually (January 1 and July 1 of the current year) along with the movement of the cost of living and the average salary of employees in the territory of Montenegro based on statistical data for the previous half-year in a percentage that represents the sum of half of the growth in the cost of living and half of the growth in wages.

Article 38, paragraph 3 and Article 58, paragraph 3 of the aforementioned law stipulates that the act on the adjustment of monthly monetary incomes is passed by the competent state administration body, that is, the Ministry of Labor and Social Welfare.

In the coming period, in order to improve the protection of individuals, i.e. families who are in a state of social need, the protection of children, persons with disabilities and the elderly, it is planned to adopt a new Law on Social and Child Protection, which must adapt to changes in society, primarily on economic plan, bearing in mind that the current level of protection of the mentioned categories is in increasing collision with real social trends.

Current situation in the field of social and child welfare services

The Ministry of Labor and Social Welfare issued 22 licenses to providers of social and child protection services for the performance of social and child protection activities.

• Day care centers for adults and elderly persons and adults and elderly persons with disabilities

The daycare service for adults and elderly persons and adults and elderly persons with disabilities is provided in the following municipalities: Nikšić (4), Danilovgrad (2), Mojkovac (1), Plav (1), Cetinje (2), Rožaje (1), Bijelo Polje (1), Petnjica (1), Pljevlja (2) and Kolašin (1), Kotor (2), Herceg Novi (1), Bar (1). In Montenegro, there are currently 20 day care centers for adults and elderly people and adults and elderly people with disabilities.

"Nikšić" Nursing Home received on 15 Feb 2023 a license to perform social and child protection activities for the service of accommodation in an institution for the elderly, adults with disabilities and adults and elderly persons who, due to special circumstances and social risk, need an appropriate form of social protection, for 200 users. Also, the Home is licensed to provide day care services for adults and elderly persons and adults and elderly persons with disabilities. It was officially opened on 15 March 2023.

Public Institution Elderly Home "Grabovac" received a license to perform social and child protection activities for the day care service for adults and elderly persons and adults and elderly persons with disabilities on 01 September 2023 for the municipality of Kotor.

The Ministry of Labor and Social Welfare issued the PI Elderly Home "Podgorica" on 04 July 2023 a license for the performance of social and child protection activities for the accommodation of adults and the elderly, for 274 users.

• Day care for children with developmental disabilities and difficulties and young people

In order to protect children and young people with disabilities and developmental difficulties, 20 day care centers for children with disabilities and developmental disabilities and young people were established in the following municipalities: Bijelo Polje, Nikšić, Pljevlja, Herceg Novi, Plav, Ulcinj, Cetinje, Berane, Mojkovac, Rožaje, Danilovgrad, Podgorica, Budva, Golubovci, Tivat, within the Children's Home "Mladost" - Bijela and within the Resource Center for Hearing and Speech "Dr. Peruta Ivanović" Kotor.

The day care service for children and youth with behavioral problems is provided by: PI Center "Ljubović", NGO Center for Children's Rights of Montenegro and NGO Center for Security, Sociological and Criminological Research of Montenegro "Defendologia".

10) *Please provide information on steps taken to consult with, and ensure the participation of, the persons most affected by the cost of living crisis and/or organisations representing their interests in the process of designing of measures in response to the crisis.*

Reply:

The By-Law on the election of representatives of non-governmental organizations to the working bodies of state administration bodies and the conduct of public consultations in the preparation of laws and strategies establishes the criteria and procedure for the selection of representatives of non-governmental organizations to working groups and other working bodies formed by ministries and administrative bodies in order to consider issues of common interest or for the normative regulation of relevant issues. In accordance with the aforementioned, in the preparation of laws, by-laws, strategies in the field of social and child protection, non-governmental organizations that deal with these issues participated through work in working groups as well as by giving comments and suggestions during the public debate.