

CASE STUDY: INCREASE IN PUBLIC OFFICIALS, HEALTH WORKERS AND PENSIONERS' WAGES IN ELECTION YEAR



Image: Payment of pensions

I: INTRODUCTION: In the election year of 2016, the Government of Montenegro adopted amendments to a series of laws by which it increased wages of public officials, public administration employees and health workers, as well as severance payments to the public sector employees who are retiring or redundant. The government increased the pensions, as well.

The increase occurred despite the fact that at the close of 2015 the country had a public debt of 63.3 percent of the estimated gross domestic product (GDP), i.e. €2.29 billion,¹ and despite the

estimates that the public debt by the end of 2016 will reach 80 percent of GDP.

II: 13 MILLION ALLOCATED FOR INCREASE IN PUBLIC OFFICIALS' WAGES: The government of Montenegro submitted the Budget Bill 2016² to the Parliament on 14 November 2015. It projected increased budget allocations of €13 million for wages of public officials and public administration employees. The government used the Proposal for the Law on Salaries of Employees in the Public Sector,³ which was submitted to the Parliament as late as 30 December 2015 and was adopted only in 2016, as a legal basis for the increase of wages. Therefore, the government's budget provided higher salaries based on the law that was subsequently submitted to Members of Parliament to decide upon, which was illegal.

At the end of December 2015, the Parliament of Montenegro adopted the Law on Budget of Montenegro for 2016, providing increased expenditures for salaries of public officials and public administration employees. The law was published in the Official Gazette on 31 December 2015.⁴ On the other hand, the Law on Salaries of Employees in the Public Sector was adopted by the Parliament in late February 2016 and published in the Official Gazette only on March 8 of the same year.⁵

This law enabled an increase of about €400 in MPs' pay,⁶ €700-900 in ministers' pay, whereas the President of the State and the President of the Parliament's wage will be €2,200. At the same time, it is made possible

¹ Ministry of Finance „Projections of Macroeconomic and Fiscal Indicators for the Period 2015-2018” dated September 2015 <http://www.gov.me/ResourceManager/FileDownload.aspx?rId=214833&rType=2>.

² Montenegro's Budget Bill for 2016: <http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/971/1022-6539-33-15-5.PDF>.

³ Draft Law on Salaries of Employees in the Public Sector: <http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/999/1051-6832-33-15-6.PDF>.

⁴ Decree promulgating the Law on Budget of Montenegro for 2016 01-1254 / 2 dated 31 December 2015, <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={8AF90021-7610-4C09-89EC-7C232F5177C1}>.

⁵ Law on Salaries of Employees in the Public Sector, Official Gazette of Montenegro 16/06

<http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={9B14463F-66AB-4267-B0E9-0273C2360DF3}>.

⁶ Law on Salaries of Employees in the Public Sector envisages that employee's salaries consists of base pay, special pay, benefits and variable pay.

for more than 800 public officials to continue receiving their wages one year after the termination of their office.

Salary coefficient of the President of Montenegro increased from 14.84 to 32, the Prime Minister and the Speaker of the Parliament coefficient increased from 12.98 to 30, while the salaries of ministers and MPs are to be calculated according to a new coefficient of 26, instead of the current 11.50.⁷ Salaries of judges of the Supreme and the Constitutional courts doubled, with the coefficient leaping from 11.50 to 26, whereas the envisaged coefficient for judges of the Appellate and the Administrative court is 25 instead of the former 11.50.⁸ Rise in salary coefficient from 11.5 to 24 was also envisaged for State and Special Prosecutors. Judges and State Prosecutors' coefficients increased from 11 to 23.

Public Officials	Former salary coefficient	New salary coefficient
President of Montenegro	14,84	32
Prime Minister of Montenegro	12,98	30
Speaker of the Parliament of Montenegro	12,98	30
Deputy Prime Minister of Montenegro	11,80	27
Deputy Speaker of the Parliament of Montenegro	11,80	27
MP	11,50	26
Minister	11,50	26
Director of the National Security Agency	11,50	25
Secretary General to the President of Montenegro	10,39	24
Secretary General to the Government of Montenegro	10,39	24
Secretary General to the Parliament of Montenegro	10,39	24

Table 1: Comparison of salary coefficient of public officials

In comparison to the highest officials, increase in salaries of most civil servants is lower. According to the adopted amendments salary coefficients of directors, employees, advisors, clerks and inspectors increased from 7.15 to 7.60, and from 4.1 to 4.80, or from 2 to 2.60.

According to the data published in May 2016, the total number of employees in the state administration bodies and the government of Montenegro in 2016 was 9,997 persons, of which 9,210 were permanent employees, and 787 fixed-term employees.⁹

In 2015, which was a non-election year, there was no increase in salaries in the state administration bodies.

III: PENSIONS INCREASE BY THREE PERCENT, THE LOWEST ONES BY TWENTY PERCENT:

At the session of the government of Montenegro held in early March 2016, the Law amending the Law on Pension and Disability Insurance,¹⁰ on the basis of which the values of pensions for one personal point and

⁷ Law on Salaries and other Income of State and Public Officials 7/2010-25; link: <http://media.cgo-cce.org/2013/06/21-Zakon-o-zaradama-i-drugim-primanjima-dr-avnih-i-javnih-funkcionera.pdf>.

⁸ Law on Salaries and other Income of State and Public Officials 7/2010-25: <http://media.cgo-cce.org/2013/06/21-Zakon-o-zaradama-i-drugim-primanjima-dr-avnih-i-javnih-funkcionera.pdf>.

⁹ Website of the Government of Montenegro http://www.gov.me/sjednice_vlade/157.

¹⁰ Proposal for the Law amending the Law on Pension and Disability Insurance of 3 March 2016, Conclusions of the Government of Montenegro 08-431, 10 March 2016 http://www.gov.me/sjednice_vlade/148.

the rights to all types of pensions and cash benefits¹¹ of July 2016 are adjusted by three percent. Exceptionally, a minimum pension which amounts to €101 is adjusted by 20 percent and it will amount to €121.92.

The sum of €415 million¹² was earmarked from the Budget 2016 for the rights related to pension and disability insurance, while in 2015 this figure was 12.5 million lower and amounted to €402.4 million.¹³

Expenditures for the pension and disability insurance rights in 2015	Expenditures for the pension and disability insurance rights in 2016	Difference
€402,454,900	€415,009,035	€12,554,135

Table 2: 12.5 million more earmarked for pensions in 2016

In early March 2016, former Minister of Labor and Social Welfare Zorica Kovacevic said that about €6.5 million was needed for the implementation of the new pension law, of which the sum of €1.5 million was allocated for the increase in the lowest pensions, and the remaining five million for the increase in other pensions.¹⁴ On that occasion, Kovacevic announced that the budget was 35 percent short of the necessary funds for the payment of pensions, since the budget was burdened with paying €50 to €60 million for lifelong benefits to mothers.

Proposed amendments to the Law on Pension and Disability Insurance will be discussed at the session of the Montenegrin Parliament, which is scheduled for June 1, 2016.¹⁵ According to the data of the Pension and Disability Insurance Fund from March 2016, a total number of pensioners in the country is 108,901.¹⁶

In the previous 2015, which was a non-election year, the only amendments to the Law on Pension and Disability Insurance were adopted in late February.¹⁷ The amendments established a new Article¹⁸ relating to gaining pension rights in state-owned companies faced with bankruptcy proceedings.¹⁹

V: RISE IN SALARIES FOR HEALTH WORKERS:

In the election year of 2016, health workers' salaries also increased. In late April 2016, the Health Minister Budimir Segrt and representatives of the two healthcare trade unions of signed Branch Collective

¹¹ "Beneficiaries of the right to old-age pension, disability pension, survivor's pension, the minimum pension, the maximum pension, subsidy for bodily injury, allowance on the basis of the remaining working ability, i.e. aid and care allowance, who acquired that right according to regulations from pension and disability insurance that were applied till the beginning of implementation of the present Law, shall be provided with these rights in the same volume even after the specified date."

¹² Decree promulgating the Law on Budget of Montenegro for 2016 01-1254 / 2 dated 31 December 2015, <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={8AF90021-7610-4C09-89EC-7C232F5177C1}>.

¹³ Decree promulgating the Law on Budget of Montenegro for 215 of 30 December 2014 <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag=%7BD7COD146-D625-4317-8B50-A018AD08AD04%7D>

¹⁴ Article in the Daily "Vijesti", 2 Mach 2016: "Kovacevic: Pensions to increase by three, and the lowest ones by 20 percent."

¹⁵ <http://www.skupstina.me/zakoni/web/app.php/sjednica/105>.

¹⁶ Pension and Disability Insurance Fund: <http://www.fondpio.me/statistika/01-broj%20korisnika/STAT.TABELA%202016.pdf>.

¹⁷ Law on Amendments to the Law on Pension and Disability Insurance dated 2 March 2015

<http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag=%7B23BE97BF-9F01-46D8-91E3-1A195409F107%7DI>.

¹⁸ Article 197 of the Law on Amendments to the Law on Pension and Disability Insurance

¹⁹ "Notwithstanding the provisions of Article 17 of this Law, an insurant who terminated employment in a company in which the State holds shares, due to the introduction of bankruptcy, shall be entitled to old-age pension upon reaching 30 years of insurance service (men) or 25 years of insurance service (women).

Agreement for Healthcare,²⁰ under which salaries of health workers increased. According to the official data, at the end of 2015, a total of 8,139 workers was employed in the healthcare sector of Montenegro.²¹

Under the new Branch Collective Agreement, a manual worker's coefficient leaped from 1.83 to 2.74, nurses' coefficient rose from 5.31 to 6.44, while the doctors, dentists and pharmacists' coefficient increased from 6.53 to 8.25. Salary coefficient of specialists at the Clinical Center of Montenegro, urgent care center and emergency center increased from 8.50 to 10.50.

A new coefficient of directors of health centers is 13, while salary coefficient of directors of special hospitals, pharmacies, the Institute for Emergency Medical Services and the Blood Transfusion Institute is 15. A coefficient of the director of the Institute for Public Health increased from 13.60 to 19, while the coefficient of the director of the Clinical Centre of Montenegro jumped from 13.60 to 22.²²

The Branch Collective Agreement for Health Care was published in the Official Gazette on 11 May 2016²³ and entered into force on the following day, which means that from that date the increased salaries of employees have been calculated.

Position in Health Care Sector	Coefficient under former Branch Collective Agreement	Coefficient under new Branch Collective Agreement
Nurse post-secondary school qualification, radiologist, health workers with bachelor's degree	5,31	6,44
Heads of Departments in Healthcare Institutions	6,37	7,53
Dentists, pharmacists, chosen general practitioners and dental practitioners	6,53	8,25
Specialist doctors in the Clinical Center of Montenegro, urgent care centers, emergency centers	8,50	10,50
Vocational specialist jobs	8,80	11,00
Heads of health centers	10,00	13
Heads of general hospitals	11,50	15
Heads of specialized hospitals, pharmacies, the Institute for Emergency Medical Services and Blood Transfusion Institute	12,50	15
Director of the Institute for Public Health	12,80	19
Director of the Clinical Center of Montenegro	13,60	22

Table 3: Increased salary coefficient of the employees in certain healthcare sectors

VI: CHANGES TO SEVERANCE PAY IN THE PUBLIC SECTOR:

At the session held on 28 April 2016 the government of Montenegro adopted the Decision on Severance Pay to the Public Sector Employees, according to which they are entitled to severance pay upon retirement and if being declared redundant.²⁴

²⁰ Branch Collective Agreement for Health Care concluded on 26 April 2016 http://www.sokc.me/?page_id=20.

²¹ Report of the Ministry of Health for 2015 with the report of the Health Insurance Fund; <http://www.mzdravlja.gov.me/biblioteka/izvjestaji>.

²² Branch Collective Agreement for Health Care of 10 February 2012 published in the Official Gazette of Montenegro, 11/2012 dated 22 February 2012 link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag=%7B3D96A3C4-EB72-4F2A-8AD1-C283CC46E76C%7D>.

²³ Official Gazette of Montenegro 30/16; link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={D3D0A88C-925C-453E-A1E4-4DC6BC072760}>.

²⁴ Decision on Severance Pay to the Public Sector Employees adopted at the session of the Government of Montenegro held on 28 April 2016, Conclusion of the Government of Montenegro, number 08-1124/2 of 5 May 2016.

Upon retirement an employee is entitled to the severance payment in the amount of 20 accounting rates of the coefficient determined by the government, minus taxes and contributions paid by employees. If declared redundant, an employee is entitled to the severance payment in the amount of 12 gross salaries or an average gross salary in Montenegro, depending on what is more favorable to the employee. According to the data of the Statistical Office of Montenegro from March 2016, the average gross salary amounted to €734.²⁵

VI: CHANGES TO SEVERANCE PAY FOR PUBLIC SECTOR EMPLOYEES: At the session held on 28 April 2016, the government of Montenegro adopted the Decision on Severance Pay to the Public Sector Employees, under which workers are entitled to severance pay upon retirement and if declared redundant.

Under the former Agreement on the Wage Policy for Public Sector Employees from December 2012,²⁶ the amount of severance pay for an employee who is made redundant, and who has ten years of service, is 8 gross wages or average gross wages (depending on what is more favorable for the employee in question), whereas employees who have from ten to twenty years of service receive 12 gross wages or average gross wages, 15 gross wages or average gross wages for employees who have twenty to thirty years of service, 10 gross wages or average gross wages for those who have between thirty and thirty-five years of service, 6 gross wages or average gross wages for employees who have over 35 years of service and are not eligible for retirement, and finally 3 gross wages or average gross wages for employees who have over 35 years of service and fulfill one of the conditions for retirement.

At the same session of 29 April 2016, the government adopted the Decision on the Variable Part of the Wage to which employees with outstanding work results and work performance are entitled to.²⁷ The variable part of wage per month is 80 percent of the average wage in Montenegro from the previous year, and can be paid quarterly or half-yearly.

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²⁵ Data from the website of the Statistical Office of Montenegro "Monstat" "[Prosječne zarade \(plate\) mart 2016. godine](http://www.monstat.org/cg/novosti.php?id=2102)" dated 28 April 2016; link: <http://www.monstat.org/cg/novosti.php?id=2102>.

²⁶ Source: website of the Government of Montenegro; link: <http://www.gov.me/vijesti/110713/Potpisan.html>.

²⁷ Decision on the variable part of wages adopted at the session of the Government of Montenegro held on 28 April 2016, Conclusion of the Government of Montenegro 08-1126/2, 5 May 2016, http://www.gov.me/sjednice_vlade/155.