

## CASE STUDY: SEVERANCE PAY FOR WORKERS DOUBLED IN ELECTION YEAR

**I: INTRODUCTION:** In the election year of 2016<sup>1</sup> the Labor Fund will pay €6 million euro for workers' severance pay, which is two and a half times more than in the previous year, which was a non-election year. The severance payments in the amount of less than €2,000<sup>2</sup> are paid to workers whose companies were closed by 2009, and it was estimated at the time that around 21,000 workers were entitled to this kind of compensation. The *Tape Recording* affair<sup>3</sup> revealed that severance pay for workers is one of the important mechanisms that the ruling party used in election cycles to influence voters' decisions.

**II: 2016 BUDGET ENVISAGES 3.3 MILLION FOR SEVERANCE PAYMENTS:** The budget of Montenegro for 2016<sup>4</sup> envisages €3.3 million for workers' severance.

The Proposal for the Budget Law of Montenegro for 2016<sup>5</sup> provided spending 2.3 million on workers' severance payments, but the sum increased by a million during the adoption of the budget in the Parliament of Montenegro on the basis of the amendment which was submitted by MPs of the ruling Democratic Party of Socialists.<sup>6</sup>

In 2015, which was a non-election year, the Law on Budget of Montenegro for 2015<sup>7</sup> provided €2.3 million for severance pay.

**III: OPPOSITION MINISTER'S REVISION OF THE BUDGET DID NOT ENVISAGE INCREASED EXPENDITURES FOR WORKERS' SEVERANCE PAY IN THE ELECTION YEAR:** In late May 2016, the Government of Electoral Trust was elected in order to prepare the free parliamentary election,<sup>8</sup> and according to the Law on the Implementation of the Agreement on Creation of Conditions for Free and Fair Elections, the opposition candidate from the Social Democratic Party assumed the office of the Minister of Finance.

In early July 2016, the Ministry of Finance, led by the opposition candidate, prepared a Draft Law on Amendments to the Budget Law of Montenegro for 2016,<sup>9</sup> in order to provide regular gross pay, pensions and social benefits, since the necessary resources were lacking. This draft law was submitted for approval to the Commission for Economic Policy and Financial System of the government of Montenegro, which was then supposed to forward it the government for approval, which was never done.

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<sup>1</sup> Parliamentary election in Montenegro was held on 16 October 2016.

<sup>2</sup> The exact amount is €1,926.

<sup>3</sup> Affair "Audio Recording" was launched in early 2013 and refers to the transcripts from the sessions of the highest party organs of the ruling DPS, which were held on the eve of the early parliamentary election in 2012; on this occasion, the top officials of the DPS revealed some of the mechanisms that the ruling party uses in pre-election periods, such as payment of social welfare, workers' severance pay, loans or providing employment.

<sup>4</sup> Budget Law of Montenegro for 2016, Official Gazette of Montenegro 79/15; link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={8AF90021-7610-4C09-89EC-7C232F5177C1}>

<sup>5</sup> Proposal for the Budget Law of Montenegro for 2016; link: <http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/971/1022-6539-33-15-5.PDF>

<sup>6</sup> Link: <http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/971/1022-6721-33-15-5-30.PDF>

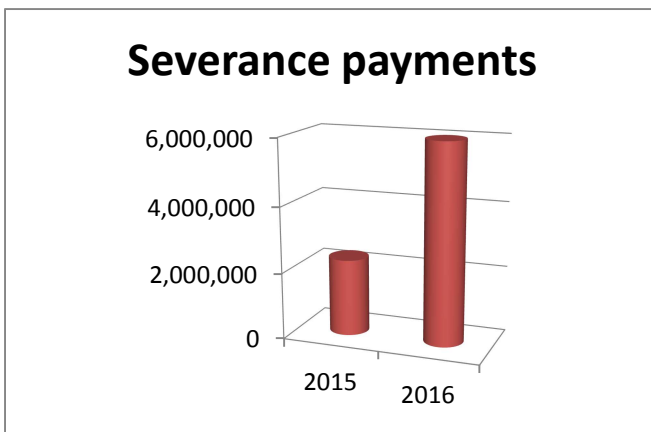
<sup>7</sup> Budget Law of Montenegro for 2015, Official Gazette of Montenegro 59/14; link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={D7C0D146-D625-4317-8B50-A018AD08AD04}>

<sup>8</sup> Link: <http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/1076/1129-7289-23-3-16-1.pdf>

<sup>9</sup> Draft Law on Amendments to the Budget Law of Montenegro for 2016, 03-10729/1, on 4 July 2016.

According to the data from the Draft Law on Amendments to the Budget Law of Montenegro for 2016, which is in the possession of MANS, the Labor Fund paid €3.3 million for workers' severance pay, which was envisaged by the Budget Law.

**IV: NEW REVISION OF THE BUDGET INCREASES SUM FOR WORKERS' SEVERANCE FROM 3.3 MILLION TO SIX MILLION:** It was not until after the parliamentary election that the government of Montenegro submitted the Proposal for the Law on Amendments to the Budget Law of Montenegro for 2016<sup>10</sup> to the Parliament of Montenegro. The proposal was prepared by the office of the Deputy Prime Minister for economic system, after it became certain that the Democratic Party of Socialists, with minority parties, would form the new government.



Graph 1: Severance payments doubled in the election year

According to the proposed amendments to the Budget Law, which were adopted by the Montenegrin Parliament in late November 2016,<sup>11</sup> the amount earmarked for workers' severance pay jumped from €3.3 million to six million, which is the sum that will be paid by the end of the year.

When this sum is compared with the one spent during 2015 which was a non-election year, in which €2.3 million was paid, it follows that in the election year the total amount allocated for workers' severance pay increased by as much as two and a half times.

**V: MORE MONEY FOR WORKERS' SEVERANCE PAY IN ELECTION YEAR OF 2014:** Earlier data for 2014, in which local elections in most of the Montenegrin municipalities were held,<sup>12</sup> shows that a substantial sum of €4.3 million was envisaged for workers' severance pay, and most of that money was paid out on the eve of the elections.<sup>13</sup>

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Podgorica, November 2016

<sup>10</sup> Proposal for the Law on Amendments to the Budget Law of Montenegro; link:

<http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/3/1276-8323-33-16-5.pdf>

<sup>11</sup> Parliament of Montenegro adopted the Law on amendments to the Budget Law at the session held on 25 November 2016; link:

<http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/3/1276-8356-.pdf>

<sup>12</sup> Local elections were held on 25 May 2014.

<sup>13</sup> More information in the publication of the NGO MANS "Local elections 2014: Implementation of the Law on Financing of Political Parties"; link: <http://www.mans.co.me/wp-content/uploads/mans/publikacije/sprovođenjeizbornihzakona/SprovođenjeizbornihZakona.pdf>