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Access for domestic workers to labour and social protection: Montenegro*

Abstract

2023 Labour Force Survey data suggests that there are about 3,000 domestic workers in Montenegro, of whom three-quarters are women, while 55% are employees and 80% are employed outside the care sector. There is no legal definition of domestic workers, but one type of employment contract is for performing household chores; employees with this type of contract have the same status, and enjoy the same benefits, as those with any other kind. According to a 2022 survey, 15.7% of the working population work in businesses but do not have contracts and are not paying social security taxes and contributions, while 10.8% have contracts but pay taxes and contributions only on part of their salary, the remainder being received in cash. Efforts are being made in this direction, but there is a lack of reform aimed at legalising undeclared activities in order to enhance social protection. Measures in response to the dimension of undeclared work should seek to encourage registration by simplifying the process, reducing administrative burdens and offering tax concessions or subsidies for both workers and employers. Additionally, the lack of quality data on domestic workers poses a major challenge to evidence-based policymaking.

Keywords: *domestic workers, Montenegro, labour law, labour and social protection, regularisation, Instrument for Pre-Accession Assistance*

* This article is based on the report *Access for domestic workers to labour and social protection: Montenegro* which was prepared in 2024 for the European Commission as part of the contract 'Expert network for analytical support in social policies' between the European Commission and the Luxembourg Institute of Socio-Economic Research (LISER). However, it reflects the views only of the authors. The original report this article is based upon can be found here: https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/country-reports_en. The Synthesis Report prepared for the European Commission on the topic ('Access for domestic workers to labour and social protection: An analysis of policies in 34 European countries'), which covers the 27 EU member states as well as seven candidate and potential candidate countries (including Montenegro), can be found here: https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/synthesis-reports_en. It has been lightly edited for publication in the *SEER Journal for Labour and Social Affairs in Eastern Europe* as regards house style, the focused concerns of the journal and in terms of the need to deliver a standalone text which is integrated with the other contributions from this project included in this number. It is reproduced by kind permission of the authors and the Commission.

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Introduction

In line with the other two parallel articles in this issue of the journal, alongside which it adopts the same definitions and methodology, this report seeks to map domestic work in the country by identifying the number and main sociodemographic characteristics of domestic workers, describing the legal framework that applies and the employment arrangements of domestic workers, and setting out any specific conditions for (and any possible gaps in) access to forms of labour and social protection. Following that attempt to describe the sector, the article turns to a discussion of the issues of undeclared work, regularisation and labour shortages as well as a presentation of recent and ongoing reforms and debates, before finally making suggestions on the way forward for improving social protection and labour rights for domestic workers.

Domestic workers provide a range of services in support of households. At EU level, they have been viewed for a decade through the concept of personal and household services (PHS) workers even though there is currently no agreed methodology for quantifying their number. The European Labour Authority estimated that, in 2019, there were between 6 and 8.8 million people formally employed in the PHS sector (Holubová and Kahancová 2022). By 2023, the Labour Force Survey was reporting around 4.1 million domestic workers in the EU, representing 2.1% of all people in work. Consequently, there is a clear need to fine-tune the definitions to allow for the production of estimates that are consistent throughout the EU.

In comparison, the 2023 LFS data in Montenegro suggests that there are around 3,100 domestic workers (i.e. about 1.1% of all workers). In terms of profile (see also Table A1), we know that they conform to the following essential characteristics:

- three-quarters of domestic workers are women
- around 60% are aged at least 50
- three-quarters have an intermediate educational level
- around 30% were not born in the country
- around 55% are employees
- around 80% work in the non-care sector.

The low numbers of the overall figure, and that this has been developed within the context of a workforce survey, means that these details should be interpreted cautiously and as a first step in defining not only the size but also the dimensions of the domestic worker labour force.

Legal framework

This section sets out the legal framework that applies to domestic workers, considering the legal definition(s) of domestic workers, the key aspects of the legislation regarding domestic work, ILO Convention 189 and the presence of collective agreements.

There is no legal definition of domestic workers in Montenegro. However, according to Article 45 of the Labour Law (*Official Gazette of Montenegro* No 145/21, dated 31 December 2021), one type of employment contract (among several others)

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that employers may sign with an employee is a contract for work in a household. Employees who have this contract have the same status as employees with any other employment contract defined by the law. The provisions set down in paras. 2-6 of Article 45 outline the terms of compensation for the employment of household workers, these being based on:

- the possibility of a 'just and reasonable' part of the salary being provided in kind. Such an arrangement should be mutually agreed upon by the employee, serve their benefit and contribute to social security objectives (para. 2)
- where the employee lives in the household unit where they have an employment contract, no reduction in salary due to accommodation is allowed unless otherwise agreed by the employee (para. 3)
- the employer is obliged to express the monetary value of any part of the salary paid in kind (which is permitted under para. 2) (para. 4)
- the minimum percentage of cash salary must be determined in the employment contract and may not be less than 50% of gross earnings (para. 5)
- where the salary agreed is partly in cash and partly in kind, the employer is obliged to pay the employee cash wage compensation during absences from work (para. 6).

Regarding the tax treatment of the income of employees under contracts for work in a household, the Law on Personal Income Tax (*Official Gazette of Montenegro* No 65/01, 40/07; *Official Gazette of Montenegro* No 86/09, 152/22 dated 30 December 2022) identifies this as personal income and it is therefore subject to tax.

Article 45 therefore forms the legal basis for the registration for mandatory social insurance of workers covered by it and where the employer is an individual who does not have a registered economic activity.

Given the uniqueness of contractual situations in which the employer is not otherwise registered as an entrepreneur, Poreska uprava (PU; the Tax Administration) has specific internal procedures regulating this process. According to these, in such cases the employer is required to register as a 'natural person' and submit to PU the employment contract, as certified by a basic court or notary. Since such an employer is not carrying out an economic activity, he or she does not have to submit an application for registration in the general tax register. The employer registers the employee under the 'PIO 101' code in respect of both pension and disability insurance and health insurance, on which PU issues the employer with a certificate of registration (or deregistration) of insurance regarding the employee. Furthermore, the employer is obliged, in accordance with the law, to calculate, report and pay income tax and mandatory social insurance contributions on a monthly basis through the appropriate form.

The current status regarding Montenegrin ratification of ILO Convention 189 reveals both progress and challenges. Although Montenegro has expressed interest in ratifying this convention, it has yet to complete the ratification process. The government has sought technical assistance from the ILO to address this issue, indicating a commitment to aligning national labour laws with international standards, but several shortcomings persist. First, there are legislative gaps that need to be addressed to ensure compliance with the convention. Although efforts are underway to overcome

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these, concrete steps towards ratification remain pending. Second, the effectiveness of the proposed reforms hinges on an analysis of the thoroughness of the legal and implementation measures, to be conducted by the ILO.

The process of discussing and addressing recommendations in a tripartite format involving the government, employers and workers is essential for inclusive and sustainable reform: without meaningful engagement from all stakeholders, the likelihood of successful implementation diminishes. The ILO's involvement is crucial in providing technical support and expertise, but the ultimate responsibility for enacting and enforcing labour laws lies with the Montenegrin government and parliament. The sustainability of any reforms therefore depends on institutional commitment to upholding international labour standards beyond the assistance provided by the ILO.

Consequently, although there is recognition of the need for reform and for co-operation between Montenegro and the ILO, significant steps remain as regards not only ensuring the ratification of ILO Convention 189 but also the effective implementation of labour laws in line with international standards.

There is no national collective labour agreement on domestic work. However, the general collective agreement (GCA) does refer to household workers since they are recognised by the Labour Law. In December 2022, a new GCA was published (CEE Legal Matters 2023; *Official Gazette of Montenegro* No 150/22 from 30 December 2022) and remains valid for a three-year period. The new GCA is harmonised with the current Labour Law and follows its provisions. Moreover, it expands employees' rights and establishes the grounds for the introduction of further measures that would guarantee more rights for employees.

Overview of employment arrangements

Domestic workers In Montenegro may be hired under three types of employment relationship. First, they may be directly employed by the head of a household, as regulated by Article 45. In this scenario, the domestic worker is considered an employee of the household and the employer is responsible for tax procedures and other legal obligations. Second, domestic workers may provide services through private agencies that support temporary employment. These agencies, regulated by the Law on Temporary Employment Agencies, employ domestic workers and assign them to households, handling wage payments and ensuring compliance with employment regulations. Third, domestic workers may also be self-employed. In this case, they operate as independent contractors providing services directly to households without intermediary agencies. They manage their own schedules, set their own rates and are themselves responsible for their tax obligations and social security contributions.

The employment of domestic workers through a public or private provider of homecare services is, however, a relatively new working practice since households still prefer to employ domestic workers directly: as mentioned above, some 55% of domestic workers in Montenegro are employees. The available data also shows that most domestic workers are from Montenegro and have Montenegrin citizenship. There is no information on migrant-related arrangements.

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Access to social and labour protection

Domestic workers with a legal employment contract enjoy the same social and labour protection as other people with a legal employment contract. Consequently, there is no difference in accessing the benefits set out in the areas referred to in the 2019 Council Recommendation for such workers. However, this of course says nothing about the 45% of workers who are not covered by an employment contract governed by Article 45.

Unemployment, sickness, healthcare, parental leave, invalidity and old-age and survivor benefits

Domestic workers covered by an Article 45 employment contract have formal access to all these benefits, without specific conditions being applied to them and in respect of whom, therefore, there are neither gaps in coverage nor particular challenges that need to be confronted; the challenges are all to do with domestic workers who do not have a contract.

Benefits in respect of accidents at work and occupational diseases

The provisions of the Law on Safety and Health at Work do not extend explicitly to individuals for whom an employment contract has been established in respect of work undertaken within a household. However, they do cover all workers with an employment contract.

Access to labour protection

Domestic workers with an employment contract enjoy the same labour protection as other people with a legal employment contract and there are no particular conditions, gaps in access or challenges that are specific to domestic workers.

Undeclared work and regularisation

As we have identified so far, a key challenge – common also to many EU member states – concerning the situation of domestic workers is the very high proportion of undeclared work in the sector and what this implies in terms of social and labour protection. This section turns to the prevalence of undeclared work and efforts to regularise domestic work.

A 2022 survey reported that 15.7% of the working population are working in registered or unregistered businesses but without contracts and without paying social security taxes and contributions. In addition, a further 10.8% do have contracts but are paying taxes and social security contributions only on part of their salary, with the remainder being received in cash and on which no taxes or contributions are being paid. This means that one in four employees in Montenegro are working without paying the due level of taxes and contributions (IPSOS 2022).

Looking at the data by type of employment and type of (in)formality, one in two self-employed people do not pay taxes and contributions (51.5%), while approximately one in seven received part of their earnings in cash without paying taxes and contributions (13.7%). The self-employed category includes employers, individuals

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who work for themselves and contributing family members. In contrast, employees working for an employer are in a better situation: approximately only one in twenty of those employed by an employer are not paying taxes and contributions (5.6%) while, for just one in ten, taxes and contributions are being paid on only a part of their salary (IPSOS 2022).

The government of Montenegro has recognised the challenge of the informal economy through a programme of economic reforms of Montenegro for 2023-2025, of which reform measure No. 14 concerns the 'strengthening of mechanisms for the formalisation of the informal economy'. This includes steps designed to strengthen the PU's information system in order to combat the informal economy more effectively.

In addition, a new programme aimed at tackling the informal economy in Montenegro during the 2024-2026 period (Government of Montenegro 2023a) includes five general operational goals that should be achieved by overcoming the identified causes of the informal economy. The measures include:

- stimulating preventive actions with the aim of simplifying procedures and reducing costs for business operations and of registering employment
- activities to raise social awareness about the negative implications of the informal economy and strengthening the role of education
- enforcement and deterrence activities through the strengthening of supervision and the application of appropriate sanctions in relation to those who benefit from undeclared work, as well as the protection of informally registered people.

The programme's operational goals include:

- improving the business environment by simplifying tax administration and reducing levies
- providing support for fair entrepreneurship and the transition to a formal economy
- transforming undeclared work into formal employment, with a greater focus on young people, women and green jobs
- enhancing electronic public administration services, the institutional framework and administrative capacities in reducing the informal economy
- reducing the social acceptability of the informal economy.

The Law on Fiscalisation in the Trade of Goods and Services (*Official Gazette of Montenegro* No 08/21 from 6 January 2021), regulates cash and non-cash payments in this area, as well as the content of tax receipts, the entities required to comply with the law and other important aspects related to this area. The adoption of this law represents a step towards combating informal economic activities, although its efficacy in curbing undeclared work remains to be seen.

To date, no assessment of the impact of the implementation of the programme has been made publicly available.

Recent and ongoing reforms and debates

There are no reforms aimed at enhancing the social or the labour protection of domestic workers; and neither are there any public debates in these areas. What

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existing public debates do take place mainly focus on the extent of undeclared work and the fairness of the overall system.

The EU supports Montenegro through the Instrument for Pre-accession Assistance (IPA III) under the thematic priorities 'education, employment, social protection and inclusion policies, and health' (68%) and 'private sector development, trade, research and innovation' (32%). One of the objectives of this EU support is to improve the monitoring of the implementation of the revised Labour Law and to reinforce the staffing and institutional structure of Odsjek za inspekciju rada (Department of the Labour Inspectorate).

Ministarstvo rada, zapošljavanja i socijalnog dijaloga (Ministry of Labour, Employment and Social Dialogue) and Ministarstvo socijalnog staranja, brige o porodici i demografije (Ministry of Social Welfare, Family Care and Demography) have continued their intensive joint programming for IPA III (for 2024-2027) in the sectors of employment and social inclusion. Here, the multi-annual operational programme (covering 2024-2027) will have four main components – a youth guarantee fund, active labour market measures, social service improvement and institutional and technical support. It is not yet known whether any projects will specifically target domestic workers, but all of these areas represent potential opportunities for implementing projects that will (also) benefit them.

Conclusions: improving social protection and labour rights for domestic workers

To improve the position of domestic workers in Montenegro, it is crucial to address the significant issue of their employment in the grey economy. A large number of domestic workers operate on an undeclared basis, which deprives them of the legal protections and benefits that come with formal employment.

Were these workers to be registered, they would gain access to all the benefits provided to formally employed individuals such as social security, healthcare and labour benefits. Measures in response should therefore focus on encouraging registration. This might include simplifying the registration process, reducing administrative burdens and providing incentives such as tax benefits or subsidies for both workers and employers.

However, a major challenge hindering evidence-based policymaking is the absence of comprehensive data on domestic workers. Investing in rigorous research and data collection initiatives specific to this sector is important in gaining an accurate understanding of its dynamics, challenges and demographics. MONSTAT – the Statistical Authority of Montenegro – should enhance its efforts in this area by integrating specific inquiries into the LFS and targeting workers who fall within the NACE 97 category ('activities of households as employers of domestic personnel'). This approach would ensure a more comprehensive understanding of demographic variables such as gender, age and nationality, offering valuable insights into the domestic work sector.

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Statistical annex

Table A1: Main sociodemographic characteristics of domestic workers in Montenegro

Total number	3,100
Share of domestic workers among all people at work	1.1%
Distribution by gender: Men Women	 26% 74%
Distribution by age: 15-24 35-49 50+	 : : 58%
Distribution by educational level: ISCED 0-2 ISCED 3-4 ISCED 5-8	 : 74% :
Distribution by country of birth: Natives Non-natives	 71% 29%
Employment status: Employee Self-employed	 55% 45%
Distribution by sector of activity: Care Non-care	 19% 81%

Note: (:) Not zero but estimate has extremely low reliability.

Source: LFS 2023, MONSTAT.

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