

# Development of tourism in Montenegro and future labour force needs

Bozidar Sisevic

*National Observatory of Montenegro; Faculty of Economics, Podgorica*

*Montenegro, the smallest republic of former Yugoslavia, has a big potential and big plans for tourism development. According to the Masterplan of tourism development, a document officially accepted by the present Government, at the beginning of 2020 tourism will be major sector of the economy with its share of 20 % to 25 % in GDP and around 50 % in total employment.*

*In order to achieve such ambitious goals, it is essential to diversify and upgrade the quality of the entire sector. One crucial factor is the quality of the labour force, which is evidently low. A shortage of competent professionals can be a major obstacle for rapid development. To reduce this obstacle it is essential to intensify reform of education at all levels, to develop new programmes and to increase investment in education and training.*

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## 1. Introduction

In this contribution (<sup>10</sup>), unfortunately, we can not offer much on the main issue of the seminar, new trends in tourism development in Europe. The Montenegro case is of interest in two respects: what strategy of development should be chosen by a small and underdeveloped country at the starting point of intense development of tourism, and how it is possible that an underdeveloped country with a high number of unemployed people can experience a shortage of labour. In this article I would like to show that skill shortages, both quantitative and qualitative, can be a main obstacle to the ambitious development of tourism. Recommendations to reduce the labour shortage will be proposed in the final part of the contribution.

## 2. Background information

Montenegro is a Mediterranean country occupying 13 800 km<sup>2</sup>. Montenegro was the smallest and least developed republic in the former Socialist Federal Republic of Yugoslavia. According to the Census undertaken in October 2003, the population of Montenegro was 617 740.

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(<sup>10</sup>) The basis for this paper was a presentation at the seminar Trends and skill needs in the tourism sector in Halle, April 2004. I take this opportunity to thank officials from the European Training Foundation (ETF) for the financial support which was crucial for my attendance at this very useful seminar.

The length of the Montenegrin coastline is 293.5 km, out of which 117 km are beaches. There is a huge variety: high rugged mountains and deep ravines alternate with expansive plains and a fascinating coast.

Montenegro is one of the most beautiful countries in the Mediterranean. As was noted by TUI/Touropa: 'Montenegro is probably the brightest hope for Yugoslav tourism'. The latent resources have not been used to the full so far and the SFRY's 'cheap vacation' strategy had produced little value, either in terms of quality or quantity.

### **3. Tourism in Montenegro: historical background**

To understand the present situation and future plans better, it is important to give a short historical background of tourism development in Montenegro.

In the past, there were two distinctive periods of tourism development, while the third one has just started. Roughly speaking, the first period covers two decades from the beginning of the 1970s until the end of the 1980s, i.e. the development of former Yugoslavia (SFRJ); the second covers the 1990s (from 1990 to 2000/01) in a country called the Federal Republic of Yugoslavia. A new phase has started (beginning 2002) in a new country called Serbia and Montenegro.

#### **3.1. Development between 1970 and 1989**

In former Yugoslavia, Montenegro was a late-comer in tourism development. Tourism started to evolve at the beginning of the 1970s, with especially intense development in the 1980s. As a result of significant investment, quite impressive capacities in tourism were built before the break up of former Yugoslavia at the end of 1990.

In former Yugoslavia, Montenegro's share of GDP and of total population, was around 2 %; its share in tourism accommodation capacities in 1989 was 8.5 % and its share of income from tourism was 10 %. At the end of this period, tourism has become an important sector of the economy, with around 10-12 % share of GDP and employment.

Montenegro followed general trends in tourism development strategy. In former Yugoslavia and Montenegro alike, between 90 % and 95 % of capacities were intended for 'mass inexpensive tourism'. Only 1 % of hotels were of A (highest) category, around 77 % of B, and around 3 % of lowest C and D categories. The share of foreign tourists in the total number of tourists at the end of the 1980s was little over 30 % (DEG, 2001, p. 7-8).

#### **3.2. Development between 1990 and 2000/01**

This period can be characterised as a period of stagnation and deterioration. War and political instability in the region, then UN sanctions and NATO intervention caused long absence of foreign tourists and a decline in product quality.

One of the main characteristics is domination of private low standard rooms, most of which are unregistered and function in the informal (grey) economy <sup>(11)</sup>. Of an estimated 95 000 beds available, hotels account for 26 000 (27.5 %), of which 82 % belongs to the official B category (equivalent to 2 stars), camping 18 500 (19.5 %), other types of accommodation – for example young people’s hostels of an elementary standard – for 30 000 (31.5 %) and registered private lodgings for about 20 000 (20 %).

The extent of decline can be illustrated in simple figures. In the 1990s, the total number of nights spent in accommodation capacities by tourists declined from around 11 million at the end of the 1980s to 5 million.

A decade-long absence from the foreign market and a sharp shrinking of the domestic market caused the shortage of funds even for elementary hotels and basic infrastructure maintenance (roads, airports, railway lines, water supply, sewage disposal) as well as for training the workforce. Objectively speaking, Montenegro’s tourist product is at a lower standard than 10-12 years ago. There are practically no 5-star hotels and only a few of 4-star category. Out of 26 000 available hotel beds, just 1 000-3 000 meet the modest standards of the international market. The hotel sector is a low earner, under-utilised and standards are far too low for demanding guests.

### **3.3. Beginning of a new era**

In the past two to three years, the tourism industry in Montenegro has slowly started to recover. In 2003, Montenegro’s travel and tourism economy directly and indirectly accounted for 22 077 jobs (directly for 11 892), EUR 190.9 million income (directly 102.8), EUR 173.1 million of export. In this way tourism became an important sector of the economy, representing 14.4 % of GDP <sup>(12)</sup>. However, in real terms, this is still quite far from the 1980s level and faces many problems and limitations to growth.

## **4. Plans for future development: two strategies for tourism**

Both national and foreign experts, as well as all politicians, agree that tourism is a sector of strategic importance for future development in the short and in a longer run. Having in mind that Montenegro is practically starting intensive tourism development, it is of strategic importance to choose a right initial concept.

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<sup>(11)</sup> According to Ministry of Tourism estimates, the number of unregistered private beds is almost 60 000, and in addition 90 000 of available but statistically unrecorded beds exist in so-called summer vacation houses. If these figures are added to registered capacities then hotel capacities constitute only 10.5 % and the hotel rooms of higher categories only 0.4-1.2 % beds). This is definitely not a good basis for developing high quality and high earnings in the tourism industry.

<sup>(12)</sup> This figure represents direct and indirect effects calculated according to travel and tourism satellite methodology. According to old methodology, the share of tourism in employment and GDP is around 8 %. But this is in the situation when GDP is only 50 % of the last year of stability in former Yugoslavia (1989).

#### **4.1. National masterplan**

In order to get a more objective picture about the real potential and what strategy to choose, the German Investment and Development Company (DEG) was hired to undertake research. As a result of this research, a comprehensive and detailed study was prepared (DEG, 2001). The masterplan comprises detailed studies of development strategy, market development, regional planning, environment and transport infrastructure, management and waste (sewage) infrastructure, institutional infrastructure and training. The plan was completed and accepted by the Government in 2001 and became an official document.

In the masterplan it is proposed that tourism in Montenegro should develop as a combination of the mainstream mass tourism with gradually more emphasis on alternative tourism: eco-tourism, cultural, nature, rural, health, and numerous other specialities. It has to adapt to new market developments to move in a new, innovative, direction. Montenegro's aim is to become 'high-quality Majorca' for the summer season and, in winter, a qualified niche provider with special products. This will secure the country an exclusive market position in the Mediterranean. At the same time it is emphasised that Montenegro should draw on the experience gained, and particularly the mistakes, from other Mediterranean destinations, especially Majorca.

The masterplan is both an inspiring vision for the long-term development of Montenegrin tourism and a great challenge for overall national development. In the plan, Montenegro is seen as a country with considerable potential for tourism development. If the right strategy is chosen, and the right measures undertaken, by the end of 2020 tourism will earn more than EUR 2.2 billion. It will create about 75 000 new jobs, compared with 12 500 in 2001. In this way tourism will become the leading industry in the national economy (in terms of GDP, national income, foreign exchange revenue, employment, etc.), making up 20 to 25 % of GDP and around 50 % of total employment (<sup>13</sup>).

To achieve these ambitious goals it is planned to build an impressive accommodation capacity of 280 000 beds, of which 100 000 (or 35.7 %) will be in high-quality hotels and 110 000 (or 39.3 %) in suites, aiming at 25.9 million nights, of which 70 % will be in hotels, mostly used by foreigners. Parallel to new capacity building, it is proposed to reorganise and upgrade all accommodation capacities by setting quality standards.

#### **4.2. Sustainable tourism development strategy**

In the meantime, with the help of UNDP and foreign experts, a new document *Framework for development of sustainable tourism in Northern and Central Montenegro* (UNDP, 2004), has been produced. As indicated in the title, this document is of much more general nature, '[...] it is in some way a roadmap for thinking strategically about what steps need to be taken to fulfil the potential for alternative tourism in the Centre and the North' (UNDP, 2004, p. 3).

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(<sup>13</sup>) In this paper we only state what is written in the masterplan, without discussion of how much these goals are attainable and, if achievable, how useful and advisable it is for a small country to be so dependent on one sensitive sector.

The document stresses that Montenegro has a significant share of Europe's last great unspoiled wilderness within close proximity of the main population centres of the continent and practically demands sustainable tourism as a development model. These indicate that Montenegro has the potential to become Europe's leading destination for alternative, high value-added tourism.

The main difference between the two strategies is that the masterplan insists on the mainstream of tourism, introducing alternative tourism as a supplement to the tourist product, while the framework, taking a Costa Rica case as a benchmark, emphasises relevant niches of global tourism.

The emphasis is based on the fact that there is new territory to be claimed in the global tourism marketplace, a destination that has exceptional natural and cultural beauty and that is serious about environmental protection and reinforcement of that cultural heritage. This can be translated into an enormous economic gain for Montenegro. Based on the current market forces, recommendations are made on how to access the high-end market and how to position, present and package what Montenegro has to offer to the world market.

In the framework it is emphasised that developing mainstream tourism strategy, dominated by large, integrated companies, historically offered emerging destinations the opportunity to develop tourism flows, but at a significant economic, social and ecological price. Also, these companies gain dominating market power in such destination markets over time, such that a significant portion of the value added from tourism is 'leaked' out of the destination. At the same time, to meet the requirements of these companies, infrastructure typically grows at a speculative pace to accommodate projected rapid growth in visitation, putting pressure on the social fabric and ecosystems of the destination due to often overburdened planning and regulatory mechanisms; the result is tourism infrastructure 'sprawl' that scars the environment. This happens even in the context of the best tourism masterplans in countries where the emphasis is placed on rapid growth rather than sustainable development (UNDP, 2004, p. 5).

## **5. Labour force and tourism development**

In the last two to three years it was noticed that, in spite of the high number of registered unemployed and the high rate of unemployment (<sup>14</sup>), an increasingly higher number of people in tourism and some other industries are hired from outside Montenegro (<sup>15</sup>).

To learn more about these problems and to see what should be done to improve the situation, the Employment Agency of Montenegro undertook two extensive surveys. The first – more

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<sup>14</sup> The number of registered unemployed is around 75 000, and unemployment is between 20 % and 30 %, depending on the methodology of calculation, i.e. registered unemployment or the Labour Force Survey.

<sup>15</sup> In 2003 around 25 000 non-residential people were employed in Montenegro, the highest number of them (15 000) in the sector of tourism.

general – refers to employment and training needs for 2004 in all sectors of economy, all governmental and non-governmental institutions and organisations. The second refers to employment needs for seasonal workers in tourism for 2004.

The first survey (<sup>16</sup>) covered nearly 10 000 businesses and other entities in the state and private sector, which constitutes around 50 % of the total number of registered units and more than 90 % of total registered employment (<sup>17</sup>). The second (<sup>18</sup>) was undertaken among larger tourist enterprises and among private entrepreneurs which employ more than 10 seasonal workers. The main aim of this survey was to find out the number and profile for seasonal workers. Both surveys have shown that there is a workforce shortage and that employers are not satisfied with workforce quality, mainly because of outdated educational programmes and lack of capacity for practical training.

There are many reasons why unemployed people do not accept jobs in tourism: low wages, unfavourable working conditions, short duration of season and thus short hiring period (2-3 months), possibility to earn more in the informal sector, etc. At the same time, the Employment Agency identified, on the basis of discussions with representatives of the tourism industry and with entrepreneurs, that the educated labour force has low relevant competence and is of practically no use without additional education and training. Complaints focused on basic skills and competences: communication, use of ICT technologies, foreign languages, team work and competences among the narrowly specialised occupations such as cooks, waiters, tourist guides, front desk workers, etc.

Although not expressed in the surveys, the most important labour shortage in tourism is of managers (top and middle management) and entrepreneurs. There are several reasons for this. For a long time, Montenegro's tourist industry was dominated by large public enterprises. Most often, top and middle management were not appointed and promoted according to their education and capabilities but according to other non-professional criteria. Education at all levels, especially higher and university education, has not been producing a competent labour force. Management education has been especially weak, with no specialised education for management in tourism. Some available programmes were of too general a nature and with little practical training. In the last decade, the best people left the country, or left the sector, to survive and some of them left the public sector to start a private business.

Montenegro's tourism private sector is without tradition, weak and disorganised. As such it could not produce a greater number of either capable entrepreneurs or top and middle managers. For a long time the dominant idea was that tourism development was the responsibility of the people who work directly in the industry. Partnership and cooperation

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(<sup>16</sup>) *Anketa poslodavaca o zaposlenosti i zaposljavanju* [Survey on employment and training needs in Montenegro]. Podgorica: Employment Agency of Montenegro, January 2004.

(<sup>17</sup>) The applied methodology did not allow identification of the shortage of entrepreneurs and top managers.

(<sup>18</sup>) *Sezonska radna mjesta u turizmu i ugostiteljstvu Crne Gore* [Seasonal workforce in tourism and catering in Montenegro]. Employment Agency of Montenegro, 2004.

among different stakeholders and across various sectors allowed regional development and town planning, infrastructure management, and management of national parks to be carried out.

Even if the growth rate in tourism is more modest than foreseen in the masterplan, tourism in Montenegro will require large number of new competent workers. It is not only the workforce directly engaged in tourism that requires improved competences but broad segments of the population in other related fields:

- (a) marketing;
- (b) the hotel business;
- (c) landscape management and national parks;
- (d) environment, regional planning and transport;
- (e) architecture and regional design;
- (f) building and hotel engineering;
- (g) waste management;
- (h) culture and education,
- (i) economics, labour and social policy;
- (j) law and administration.

Being aware of this, Montenegro started to reform education, especially VET. This is a significant challenge for the entire education system. Nominally there are schools and faculties which provide education in the above fields. However, there is a need to establish new courses and to reinvigorate most of the existing ones. Although there are several institutions of higher education which provide education for tourism, all of them need to modernise their programmes with a greater emphasis on management, foreign languages, ICT, and practical training. Also there is a need to improve research, which Montenegro cannot achieve alone. Montenegro has already received support through EU CARDS programme, from the German Government and from individual schools. This support was for developing national occupational standards, curricula design, teacher training, development of the certification system, establishment and equipment of training centres for tourism (in Herceg Novi), etc. However, this is just a beginning, and much more needs to be done. This can be achieved only with substantial financial and technical support for education and training from the international community and donors.

## References

DEG – German Investment and Development Company. *Touristic masterplan for Montenegro*. Executive summary translation, May 2001, p. 7-8.

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