UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

AN ANALYSIS OF SOCIO-ECONOMIC INEQUALITY AND INTERGENERATIONAL SOCIAL MOBILITY IN MONTENEGRO

Ljubljana, July 2024 VALENTINA OSTOJIĆ

AUTHORSHIP STATEMENT

The undersigned, Valentina Ostojić, a student at the University of Ljubljana, School of Economics and Business, (hereafter: SEB LU), author of this written final work of studies with the title An analysis of socio-economic inequality and intergenerational social mobility in Montenegro, prepared under supervision of prof. Tamara Pavasović Trošt, PhD.

D E C L A R E

1. this written final work of studies to be based on the results of my own research;

2. the printed form of this written final work of studies to be identical to its electronic form;

3. the text of this written final work of studies to be language-edited and technically in adherence with the SEB LU's Technical Guidelines for Written Works, which means that I cited and/or quoted works and opinions of other authors in this written final work of studies in accordance with the SEB LU's Technical Guidelines for Written Works;

4. to be aware of the fact that plagiarism (in written or graphical form) is a criminal offence and can be prosecuted in accordance with the Criminal Code of the Republic of Slovenia;

5. to be aware of the consequences a proven plagiarism charge based on the this written final work could have for my status at the SEB LU in accordance with the relevant SEB LU Rules;

6. to have obtained all the necessary permits to use the data and works of other authors which are (in written or graphical form) referred to in this written final work of studies and to have clearly marked them;

7. to have acted in accordance with ethical principles during the preparation of this written final work of studies and to have, where necessary, obtained permission of the Ethics Committee;

8. my consent to use the electronic form of this written final work of studies for the detection of content similarity with other written works, using similarity detection software that is connected with the SEB LU Study Information System;

9. to transfer to the University of Ljubljana free of charge, non-exclusively, geographically and time-wise unlimited the right of saving this written final work of studies in the electronic form, the right of its reproduction, as well as the right of making this written final work of studies available to the public on the World Wide Web via the Repository of the University of Ljubljana;

10. my consent to publication of my personal data that are included in this written final work of studies and in this declaration, when this written final work of studies is published.

11. that I have verified the authenticity of the information derived from the records using artificial intelligence tools.

Ljubljana, _____ Author's signature: _____

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

LIST OF ABBREVIATIONS

AROPE - At risk of poverty and social exclusion
BiH - Bosnia and Herzegovina

DG NEAR - Directorate-General for Neighbourhood and Enlargement Negotiations

EBRD - The European Bank for Reconstruction and Development

EU - European Union

EU SILC - European union Survey on Income and Living Conditions

Eurostat - European Office for Statistics

GDP - Gross Domestic Product

Monstat – Montenegro's Statistical Office

NGO - nongovernmental organisations

OECD - Organisation for Economic Cooperation and Development

QSR - Income quintile share ratio

S20/S80 - Income quintile share ratio

UN - United Nations

UNDP - United Nations Development Programme

WB6 - Western Balkans 6 countries: Albana, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia

WHO – World Health Organisation

1 INTRODUCTION

In the whole landscape of social narratives, there exists a phrase that resonates with all the yearning for upward mobility and breaking the constraints of one's socioeconomic origins: "breaking the poverty circle." This expression describes individuals who, born in poverty, succeed in pulling off their childhood circumstances thus reaching higher positions in society. This concept is not just a linguistic term, it has been an inspiration for human resilience in the whole world. It has inspired cultural conversations leading to transformative cinematic and literary narratives. The elusive “American Dream”, popular psychology, and contemporary social media motivational content, all originate from the pursuit to transcend the chains of initial social status. These stories describe those who, against formidable odds, succeed in moving on from intergenerational social disadvantages to emerge on the other side, creating a more promising future. In cultural and everyday life, this concept tends to have a dramatic, emotional, and cinematic background. Still, in economics and social sciences, it is a part of complex social, political, and economic concepts of socio-economic inequality and intergenerational social mobility.

Socio-economic inequality refers to the unequal distribution of wealth and income in the society. This concept can be further understood by studying intergenerational social mobility which can be seen as a sub-concept of inequality. Intergenerational social mobility concerns the relationship between the socio-economic status of parents and the status their children will attain as adults (Causa & Johansson, 2009). It is measured in terms of how persistent one's income, educational level, and occupation category are in comparison to their parents' (Bjornskov et al, 2013). Socio-economic inequality can be measured among continents, countries, regions, and cities, but also within a certain population, and among individuals. In literature, socio-economic inequality can also be presented as income inequality, wealth inequality, or economic inequality.

While the between-countries income inequality is on the decline, the within-country income inequality is increasing and remains considerably higher in developing economies than in advanced economies (World Bank, 2022). The COVID-19 pandemic pushed around one hundred million people living on less than 1.9 dollars a day into extreme poverty (Radio Free Europe, 2020). The pandemic accompanied by climate change has prompted a shift in global priorities, with the world slowly moving away from solely focusing on GDP and economic growth as indicators of a successful and developed country. Instead, there is increasing recognition of the importance of studying equality, social services, and corporate responsibility. Amidst these challenges, questions arise about the path of global economic inequality and whether current trends are only increasing existing disparities.

In Montenegro, as in the whole Western Balkan region, poverty, unemployment, and inequality threaten the everyday security of average citizens (Zeneli, 2014). In this small

Mediterranean country, disparities in opportunities and rewards persist among various social groups, such as between genders and individuals from different family backgrounds. For instance, research shows that within the Gender Inequality Index in Montenegro, some of the highest gaps between women and men are in the sphere of education and money (Monstat, 2023a). Parental background plays a crucial role in shaping socio-economic inequalities, largely due to widespread issues such as partitocracy, cronyism, nepotism, and corruption. The influence of family connections and networks often determines access to opportunities, resources, and rewards, leading to disparities in outcomes between individuals from privileged and disadvantaged backgrounds. For instance, Efendic and Ledeneva (2020) found that people in the Western Balkan countries (hereinafter WB6) invest more in social capital connections than hard work. Drishti et al (2023) conducted empirical research on the perception of inequality in Western Balkan countries and found that inequality of opportunity is positively associated with statements on beliefs about the unfair distribution of outcomes in the sense of a successful life and towards the most important factors of finding a job. Socio-economic inequalities are perpetuated as those with familial advantages continue to benefit from preferential treatment and opportunities, while others face barriers to advancement and upward mobility. According to Oded (2011), this dynamic hinders human capital formation and economic growth.

As a post-socialist state, Montenegro has gone through rapid market transition unprepared which led to rapid and aggressive privatization by the ruling and elite circles of the country. This further led to the richness of the few and the struggle of the many. Moreover, because of the war in the 1990s and the high inflation, the whole Western Balkans region faced high unemployment rates, unregulated markets, and corruption. To this day, Montenegro managed to lower its unemployment rate, but it remains high at 13.1% (Monstat, 2024a), which contributes to the overall economic inequality. Moreover, data on poverty remains unclear and not precise to this date, which leaves Montenegro lacking a comprehensive strategy to fight poverty and inequality. While some studies have focused on explaining varying levels of income inequality across the Western Balkans, and in particular the effects of migration and foreign remittances on income inequality (Bajra, 2021), there is much less research on intergenerational social mobility in the region and especially in Montenegro. Particular insights for Montenegro can be found in Nguyen`s 2023 analysis which reveals that 36% of the labor income inequality in Montenegro is attributable to inequality due to circumstances beyond an individual's control and that gender and parents' education play a major role in determining income opportunity as well as opportunities in tertiary education attainment. Research on brain drain in Montenegro demonstrates that there is a negative perception of the distribution of opportunities, especially among youth. For instance, UNDP research from 2022 revealed that 33.4% of young people want to leave Montenegro and the most common reasons for dissatisfaction and desire to leave they cite are the overall quality of life, inability to find employment, as well as the quality of education (Vijesti, 2022).

Transitioning to why studying this subject is crucial in the contemporary context is imperative. First of all, poverty is a very important concept within the issue of socio-

economic inequality, since exactly the inequality of opportunities and inequalities of incomes lead to poverty for a certain percentage of the population. More precisely, the proportion of people living in poverty or at risk of poverty contributes to the overall inequality in society and is also an important measure used among researchers who measure and investigate social and economic inequality. Moreover, it is not surprising that the United Nations' first and foremost sustainable development goal focuses on “ending poverty in all its forms worldwide”. People who live in poverty are not there by chance, but due to complex social, economic, and political shifts and processes that prosper some and leave many behind. If resources are allocated in a way that enriches few and many pushes below at risk of poverty threshold, that further means that the welfare and social cohesion of a state is compromised. As Hartwell Max (1972) marked: economics is, in essence, the study of poverty.

Secondly, when socio-economic inequality is high, and when a significant proportion of the population lives at risk of poverty, other social, political, and national problems arise. Thus, studying socioeconomic inequality and intergenerational social mobility is not only important because these concepts themselves are important, but because they are correlated to other political or even ideological issues. Thorbecke (2002) found that a rise in economic inequality has a positive impact on individuals’ propensity to commit a crime. Gilbert (2007) mentioned that poverty often produces social ghettos within cities and can lead to envy and even violence. Some researchers study the correlation between social class and ethnocentric views. Trošt and Marinšek (2022) found that in the post-Yugoslav region, everyday people's understandings of themselves and others are very much stratified by education and occupational status, where a cross-sectional quantitative survey in Serbia and Croatia showed that education remains the most robust predictor of nationalist attitudes, while income matters to some degree. Others found a positive correlation between socio-economic inequality and health. For example, research on health and economic inequality shows that higher income inequality is strongly associated with greater infant mortality (Lynch et al., 2001).

Thirdly, socio-economic inequality is closely intertwined with economic development and growth. The correlation between economic growth and inequality and how they mutually influence each other has been a subject of debate. For quite some time, economic growth alone was regarded as the primary determinant distinguishing developed from developing countries. However, scholars and policymakers have recognized that the distribution of wealth within a state, along with its welfare and socio-economic conditions, plays a crucial role in defining development. For instance, Goda (2016) found that socio-economic inequality leads to economic instability.

Last but not least, studying these issues in Montenegro is important in a way that it will fill in the existing gap in academic research on socio-economic conditions in the country. Thus, the purpose of this thesis is to comprehensively understand socio-economic inequality in Montenegro, analyze its implications, and explore the intergenerational social mobility in

the country. The main goals of the master thesis include defining socio-economic inequality, exploring how it is measured, reviewing the literature on the effects of socio-economic inequality and the importance of social mobility, and providing a deeper understanding of socio-economic inequality and economic trends in Montenegro. This paper will reflect on some significant comparisons such as comparisons to the EU level, or specific comparisons to neighboring countries as well as other economies similar to Montenegrin. Finally, this paper will determine the current levels of intergenerational mobility in Montenegro based on empirical research through national opinion poll data collected in the second half of 2022. The data have not been analyzed before and serve only for this master thesis. The findings include data on intergenerational social mobility using the level of education of respondents compared to the level of education of their mother and father and occupation of respondent and occupation of respondents' mother and father as variables.

The limited availability of research on socioeconomic inequality in Montenegro underscores the importance of this analysis, as it contributes to filling a significant gap in the existing literature on this issue in the country. By providing a detailed overview of Montenegro's economic inequality and trends, policymakers can develop targeted policies to address the issue. This thesis can therefore establish a foundation for future research and policy-making in the field. The final part of the thesis develops suggestions and implications for policymakers as a foundation for future research and policy-making in the area. In conclusion, this study seeks to shed light on the complex dynamics of socio-economic inequality in Montenegro and its implications for social cohesion and economic development. Its biggest value-added lies in the investigation of intergenerational social mobility in Montenegro, which has not been studied before. Finally, the study aims to create actionable insights for policymakers and stakeholders.

This thesis is structured into five main sections after the introduction. The first section provides a theoretical framework and literature review by defining key terms and concepts related to socio-economic inequality and intergenerational social mobility. It also discusses various methods used to measure socio-economic inequality and discusses the correlation between inequality on one side and development and growth on the other side. The second section delves into the specific context of Montenegro, examining its economic and social status, main statistical data, and existing research on socio-economic inequality and intergenerational social mobility. The subsequent chapter presents the methodological approaches employed in this research. This chapter serves as a guide to the methods, techniques, and procedures utilized to collect and analyze data about Montenegro's socio-economic inequality and intergenerational social mobility. The fourth section presents the results of original research conducted on intergenerational social mobility and other relevant economic factors. Data was collected in the second half of 2022 using a multi-stratified sample representing the Montenegrin population and analyzed using the SPSS descriptive statistics tool and Chi-Square tests for variable relationship examination. The final section offers discussion and recommendations for further research and policy-making in the field

of socio-economic inequality and intergenerational social mobility in Montenegro. It concludes with a summary of findings, policy implications, and suggestions for future action.

2 SOCIO-ECONOMIC INEQUALITY

This chapter deals with theoretical explanations of socio-economic inequality and intergenerational social mobility.

2.1 Definitions and theories

The significance of studying socio-economic inequality extends beyond the mere observation of data and serves as a cornerstone for informing better policies that can affect every citizen. It has been both a political and economic issue and has been at the forefront of political and social debate for centuries. The contemporary, what we see as the political division between left and right policies, is at its core, actually, economic. This division is primarily centered around socio-economic inequality, more precisely around issues concerning taxes, capital, and market regulation. For instance, one of the most prevalent debates around the world is centered around whether countries should impose higher taxes on extremely rich individuals of society so that the resources from taxes can be redistributed to the poorer segments of the population. Inequality is also emphasized as the main contributor to many other problems in the sphere of health, crime, corruption, nationalism, and radicalism.

Having this in mind, defining socio-economic inequality should be the start of the research. In the literature, some of the most common phrases used to cover this topic are social inequality, income inequality, economic inequality as well as wealth inequality. Each term describes the unequal distribution of wealth and opportunities in terms of education, wages, social occupation, and social position. It is of foremost importance to have comprehensive definitions that encompass all the relevant factors that comprise this phenomenon.

Before proceeding to definitions, it must be clear that there are different viewpoints or theories in economics that also differently perceive socio-economic inequality. One simple distinction, mentioned just above, and used mostly in political science, is the division between left and right on the political compass. The left corpus is perceived as seeking social justice and equality, while the right is mostly aimed at protecting private capital and property. Left compass refers to economic policies and ideologies that lean towards more government intervention in the economy, where they advocate for higher taxes on wealthy individuals and corporations, and increased government spending on social welfare programs such as healthcare and education. Scholars discuss that reallocation of public spending towards infrastructure and education would raise income as such in the long run, but increasing social welfare spending can reduce inequality (Johansson, 2016). On the other side, within the right compass, economics usually aligns with ideologies favoring less government intervention

and more reliance on free markets. Right-wing economic policies tend to advocate for lower taxes, reduced government spending on social programs, deregulation of businesses to promote entrepreneurship and economic growth, and a focus on individual responsibility rather than collective welfare. The core distinction in economic policies viewpoint is whether the market shall be self-regulated or if there should be interference from the government and to what extent. The policy aimed to create an economy free of state intervention is also called laissez-faire.

Many argue that the free market without government regulation leads to inequality of opportunities and consequently inequality of socio-economic status. Thus, we should explore the theory of economic interventionism, which is also called state interventionism. This refers to economic policies aimed at favoring government intervention in the market economy with a final aim to modify or correct any market failures and increase the welfare of all citizens, while still advocating for the market economy. State interventionism is viewed as a third solution to the division of socialism versus capitalism, that retains the advantages of both systems and avoids disadvantages in both (Von Mises, 1998). It can be aimed at a variety of political or economic objectives, such as promoting increasing employment, raising wages, raising or reducing prices, and finally, promoting income equality. Acemoglu and Robinson (2012) claim that the answer to the question "why some nations fail and others succeed in terms of income equality and standard of living", is in the institutions which shape the governance of economic, social, and political policies. For instance, higher social protection expenditure is significantly related to lower income inequality (Bergh et al, 2017).

Important theories that have discussed socio-economic inequality are Classical theory and Neoclassical theory. Economists within the Classical economic theory argued that inequality is good for economic growth and development. On the other side, neoclassical economists argued that there is no relation between these two phenomena, meaning that the study of income distribution has no significance for the understanding of macroeconomic activity and the growth process (Galor, 2011). Galor (2011) further found that economies in which land and other natural resources have been more equally distributed have implemented earlier public education campaigns and have benefited from the emergence of a skill-intensive industrial sector and a rapid process of development. In contrast, among economies marked by a more unequal distribution of ownership over land and other natural resources, resource abundance that was a source of richness in the early stages of development has led in later stages to under-investment in human capital, an unskilled labor-intensive industrial sector, and a slower growth process (Galor, 2011). Other major theories that discuss socio-economic inequality are Keynesian and Marxian. Economist Keynes believed that the inequality of the distribution of wealth made possible vast accumulations of fixed wealth and of capital improvements which distinguished that age from all others, and that the inequality ultimately drives growth. Marxists believe inequality is transferred from one generation to another through the environment of services and opportunities that surround each individual (Peet, 2010).

Going back to definitions, the term "socio-economic inequality" refers to a transdisciplinary concept used both in economics and sociology. Since there are different theoretical approaches in economics, thus there are different views on socio-economic inequality and what shall be "sources" of this inequality.

Socio-economic inequality concerns the existence of unequal wealth and fortunes accumulated due to complex dynamics in society (Chatterjee et al, 2016). Income inequality exists when circumstances that should not be associated with individual achievement still determine income (Nguyen, 2023). Chatterjee et al (2016) explain that socio-economic inequality is usually measured in terms of inequality of conditions and inequality of opportunities. Inequality of conditions refers to the unequal distribution of income, wealth, assets, and material goods while inequality of opportunities refers to the unequal distribution of life chances such as level of education, health status, or treatment by the criminal justice system (Chatterjee et al, 2016). This further means that there is not only an unequal distribution of wealth itself, but the distribution of the bare opportunities to succeed in life. Organization for Economic Cooperation and Development (hereafter OECD) defines income inequality as the difference in how income is distributed among individuals and/or populations and as the gap between rich and poor i.e., wealth disparity. In an analysis of the relationship between income inequality and financial crisis, Goda (2016) highlights an interesting distinction between functional income distribution and personal income distribution, where functional income distribution measures how much of the national income goes to workers (wage share) and how much of it goes to capitalists and rentiers (profit share) and personal income distribution measures how far national income is equally distributed among individuals/ households.

When socio-economic inequality is high, it leaves a lot of connecting social, political, and economic issues. Socio-economic inequality ultimately harms what is known as social cohesion (OECD, 2015). Social cohesion refers to a society where there is a high sense of belonging and inclusion, especially in terms of equal chances and equal access to services such as health and education. It also involves the presence of shared values, norms, and goals that promote cooperation and mutual support among members of society. With the recent emergence of welfare states, redistributive policies have been accepted as a social norm (Kakwani, 1980).

In the following text, an explanation of how to measure socio-economic inequality will be provided.

2.2 Measuring socio-economic inequality

Inequality can be investigated and measured using different methods and already-established indicators. Some of the most prominent measures of socioeconomic inequality are the Gini index (or coefficient), the proportion of the population living at risk of poverty or social exclusion, the income quintile share ratio as well as Palma ratio. All these indices have their

specific strengths, limitations, and interpretations. In the following pages, explanations will be provided in the following order: Gini coefficient, The proportion of the population living at risk of poverty or social exclusion (abbreviated as AROPE), Income quintile share ratio, and Palma ratio.

2.2.1 Gini coefficient

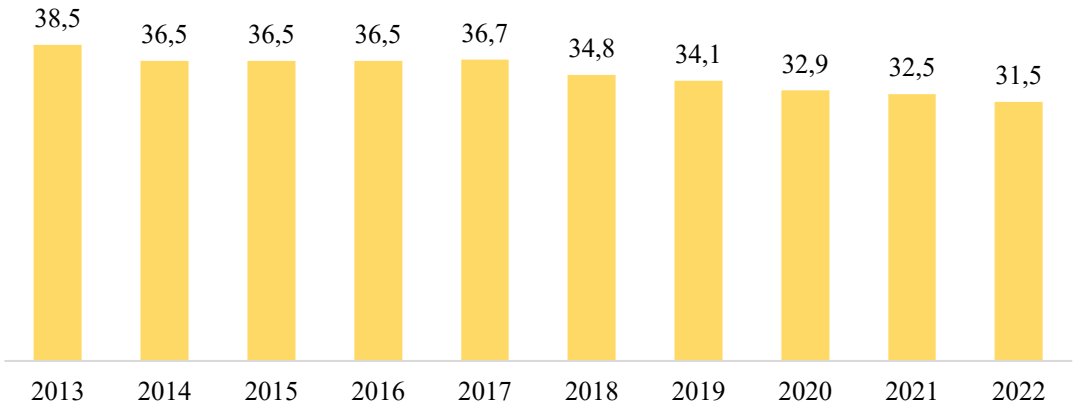
The most widely used indicator when talking about socio-economic inequality is the Gini coefficient. It is used by major research institutions and scholars, including prominent international organizations such as the United Nations (hereafter UN) and OECD. Its wide use across the world makes it a very valuable measure for any comparative research. The "Gini" comes from its developer, an Italian statistician Corrado Gini.

The values of the Gini coefficient range from 0 to 1, but if the values are shown as a percentage from 0 to 100%, this is then called Gini Index. The World Bank defines the Gini index as the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution. Therefore, a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality (World Bank, 2024a). A Gini coefficient of 0 would mean that all individuals in the investigated population earn the same income, which would be "perfect equality", while "perfect inequality" and a Gini coefficient of 1 mean that one person has all the income and all the rest of the population none (Hasell, 2023). The Gini coefficient or index is not evaluated in absolute terms because it does not capture the actual disparities in wealth, given the differing economic statuses among populations (countries). In instances where even wealthy individuals have low incomes (in comparison to regional or global levels), the absolute gap between people's earnings remains relatively small. Conversely, in regions with significantly higher incomes compared to the global average, even minor relative differences in income can result in substantial absolute gaps. Thus, the Gini coefficient assesses the expected absolute disparity in incomes relative to the mean income within the population. Visually, the Gini coefficient is explained using the Lorenz curve.

Data on the distribution of income or consumption come from nationally representative household surveys, where the income or consumption shares are calculated by quintile. Otherwise, shares have been estimated from the best available grouped data. The distribution data have been adjusted for household size, providing a more consistent measure of per capita income or consumption (World Bank, 2024a).

Montenegrin economic growth, job creation, and falling unemployment from 2015 reduced poverty and therefore reduced Montenegro`s Gini index (Nguyen, 2023). Figure 1 depicts the Montenegrin Gini index over the years. Based on the figure, the Montenegrin Gini index has been in continuous fall, where its value reached a peak high of 38.5 in 2013 while it fell to 31.5 in 2022.

Figure 1: Change in Gini index values over time in Montenegro



Source: Monstat (2018), Monstat (2023b).

Some of the European countries with the lowest Gini coefficient values are Slovakia, Slovenia, Czechia, and Belgium which have some of the most equal income distributions in the world today, with Gini coefficients ranging between 0.22 and 0.26 (Eurostat, 2024b). Table 1 below previews the 5 EU countries with the lowest Gini values, the EU average, 5 EU members with the highest Gini values as well as Montenegro, to better show the comparison. The data is derived from the Eurostat SILC database of Gini coefficient values.

Table 1: Comparison of Gini index among countries in 2022

Country	**Gini coefficient**
Slovakia	0.212
Slovenia	0.231
Czech Republic	0.248
Belgium	0.249
Poland	0.263
EU 27	0.297
France	0.298
Switzerland	0.311
Malta	0.311
Greece	0.314
Montenegro	**0.315**
Estonia	0.319

Source: Eurostat (2024b)

Comparisons among Western Balkans countries would be valuable, but due to lack of data, it is not possible to do so, at least to include all the region's countries. For instance, there is

no data on the Gini index for Bosnia and Herzegovina at all, while for Kosovo the only that could be used for comparison was for 2018. Anyways, Eurostat has produced some insightful comparisons between these countries' Gini indexes. The highest score of all was in Kosovo - 44.2 in 2018. The EU's average stays the smallest – 29,7 in 2022. North Macedonia's Gini coefficient was 31.4 in 2020 (Eurostat). Serbia's Gini index fell by 4.7 points between 2013 and 2021 (Eurostat, 2023a). Turkey's Gini index was 42.6 in 2021.

2.2.2 Proportion of the population living at risk of poverty or social exclusion

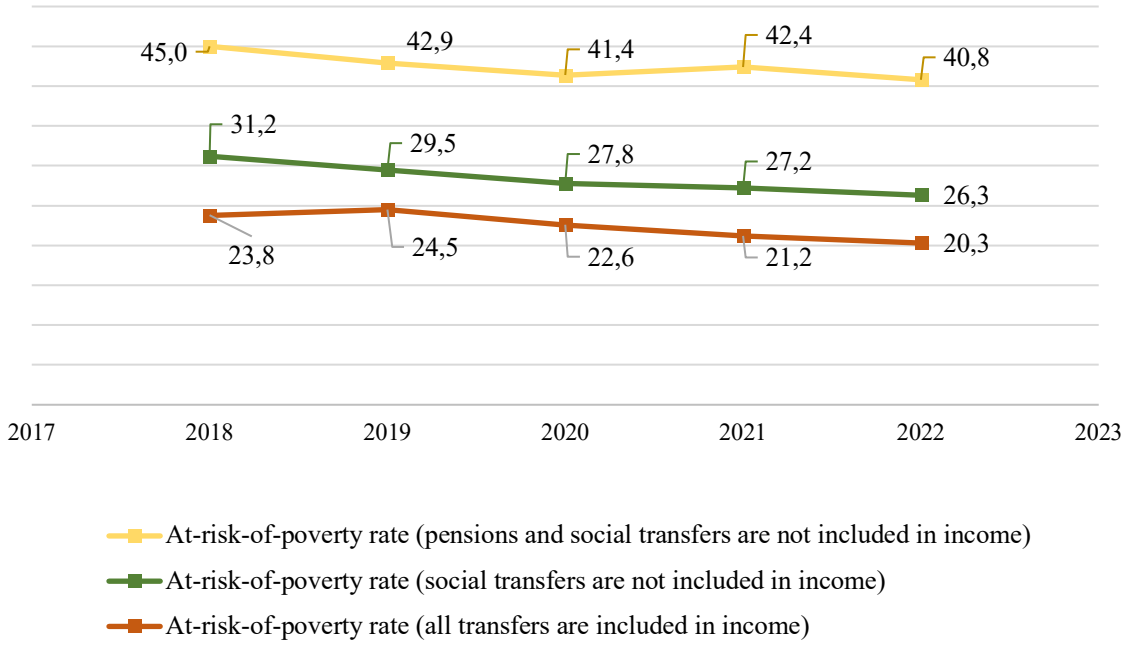
Besides the Gini coefficient, there are several other indicators used to measure socio-economic inequality. The proportion of the population living at risk of poverty or social exclusion, abbreviated as AROPE, provides insights into the economic well-being and socio-economic inequality within a population and shows the percentage of individuals or households whose income falls below a certain poverty threshold or who are at risk of falling into poverty. The European Commission defines AROPE as a sum of persons who are either at risk of poverty, or severely materially and socially deprived, or living in a household with a very low work intensity (Eurostat, 2021). Thus, there are 3 components of this measure which are severe material deprivation rate, at risk of poverty rate, and low work intensity indicator.

It is important to mention that when this sum is measured a person who falls under many of these groups is included only once.

The three components of this indicator make it very comprehensive and valuable. The severe material deprivation rate refers to "the proportion of the population experiencing an enforced lack of at least 7 out of 13 deprivation items, 6 related to the individual and 7 related to the household" (Eurostat, 2021). The at-risk-of-poverty rate is the share of people with an equalized disposable income below the at-risk-of-poverty threshold. The equivalized disposable income is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members, adjusted to their age (Eurostat, 2021). The process where the household income is divided by several household members, equivalent by weighting each according to their age, is conducted using a modified OECD equivalence scale. The at-risk-of-poverty threshold is set at 60 % of the national median equivalized disposable income. This measure doesn't directly gauge wealth or poverty but rather highlights low income relative to others in the same country, which may not necessarily indicate a low standard of living. The last component, the low work intensity indicator refers to "people from 0-64 years living in households where the adults (those aged 18-64, but excluding students aged 18-24 and people who are retired according to their self-defined current economic status or who receive any pension (except survivors pension), as well as people in the age bracket 60-64 who are inactive and living in a household where the main income is pensions) worked a working time equal or less than 20% of their total combined work-time potential during the previous year" (Eurostat, 2021).

The Statistical Office of Montenegro (hereafter Monstat) started to conduct a survey on income and living conditions as an annual survey regularly implemented in 2013. AROPE data on Montenegro is collected through the EU Survey on Income and Living Conditions that has been implemented in Montenegro since 2013, while the last data processed is for 2022. The EU-SILC survey is a required source for monitoring statistics on income, poverty, and social exclusion, to ensure comparable data both for every country and at the EU level as total (Monstat, 2023b). There were 20.3% of people living at risk of poverty in Montenegro in 2022, which can also be expressed as that every 5th citizen of Montenegro is at risk of falling into poverty, which is extremely concerning data. The report clearly outlines that 20.3% of the population is classified as "at risk of poverty". That does not necessarily mean that they might be poor but that they are at risk of falling into poverty, and that their equalized disposable income is under the at-risk-of-poverty threshold. If social transfers were excluded, that means that the percentage of those who are below at risk of poverty rate would be 26.3%. If we go beyond and calculate at risk of poverty percentage excluding pensions, that would mean that even 40.8% of citizens fall under the mentioned threshold (see Figure 2).

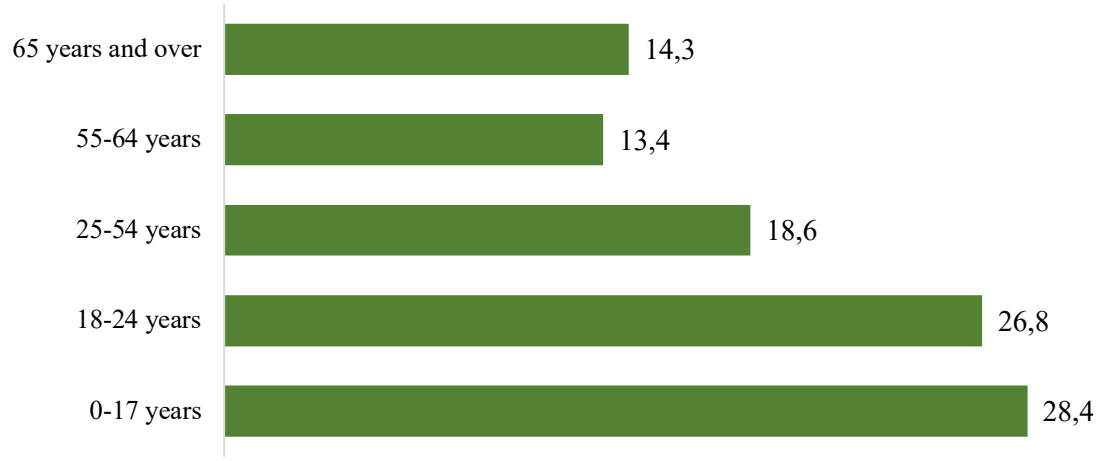
Figure 2: Montenegro's at risk of poverty rate in %, from 2018 to 2022



Source: Monstat (2023b).

Children and young people are most exposed to falling into the poverty threshold, where 28.4% of those aged 0 to 17 years old, fall into the category, and 25.8% of young people aged 18 to 24 also fall into the category (see Figure 3). This can also be expressed as that one in 4 young people aged 18-24 live at risk of poverty and almost one in three children aged 0-17.

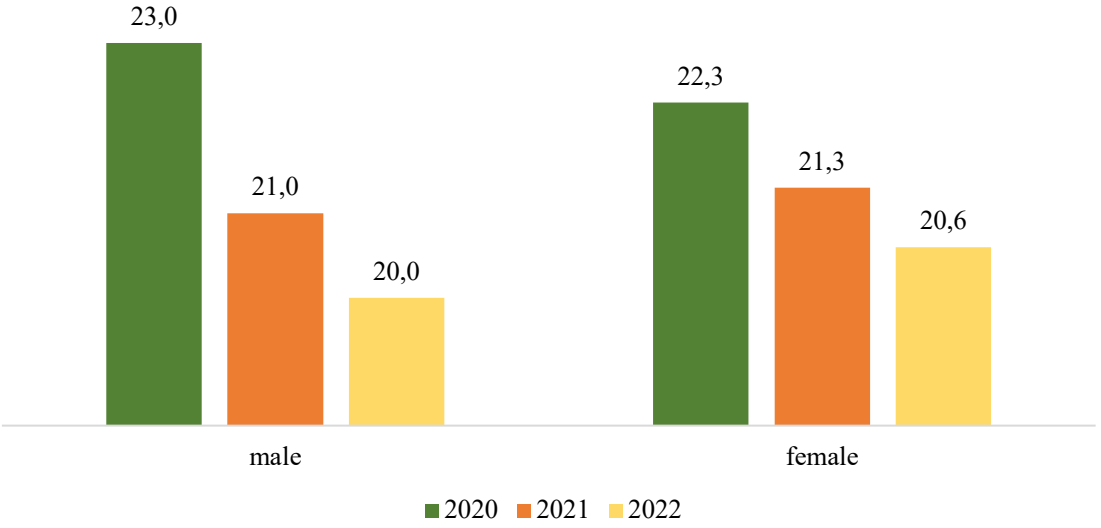
Figure 3: Age and being at risk of poverty in %



Source: Monstat (2023b).

Figure 4 below depicts that there is no significant difference between men and women within the spectrum of at risk of poverty individuals.

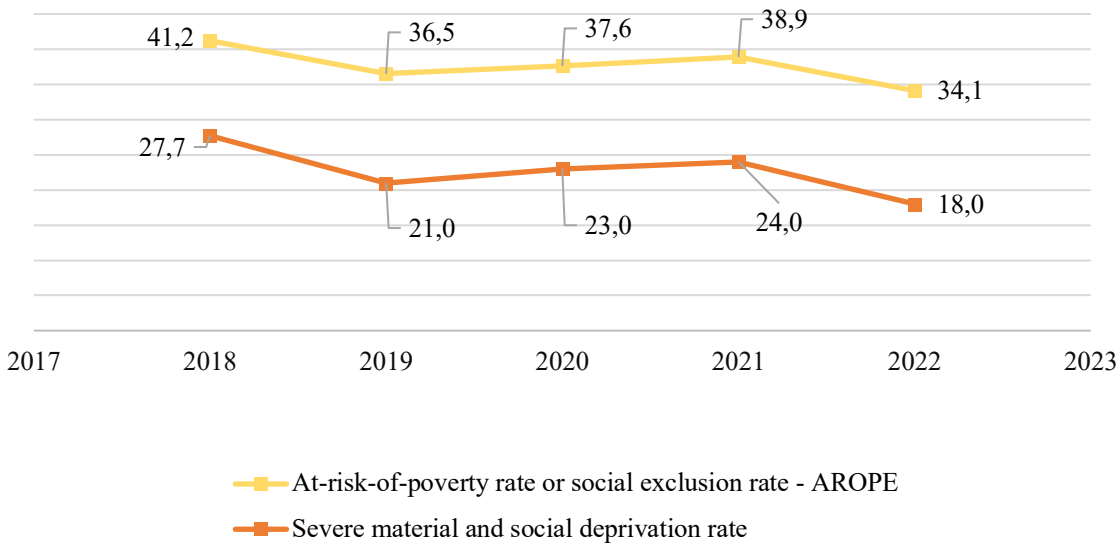
Figure 4: Gender and being at risk of poverty in %, 2020-2022



Source: Monstat (2023b).

The following Figure 5 reveals data on severe material and social deprivation rates as well as for AROPE. The figure clearly shows that a concerning 34.1% of citizens in 2022 fall into the at-risk of poverty and social exclusion rate, which can also be expressed as every one in three citizens or one-third of citizens of Montenegro. The figure further shows that 18.0% of citizens fell into the severe material and social deprivation group in 2022.

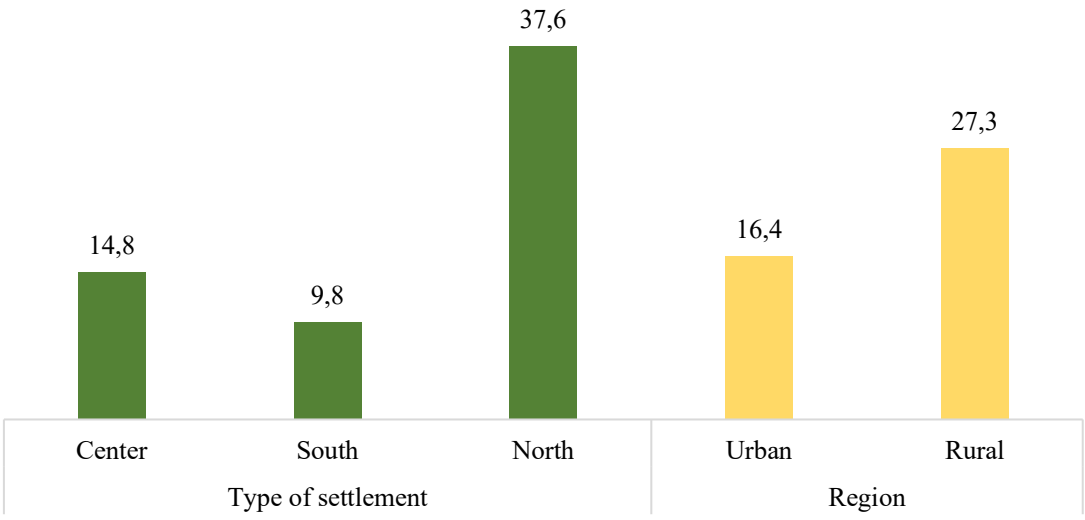
Figure 5: Montenegro's AROPE, 2018 - 2022



Source: Monstat (2023b).

Figure 6 implies that the most exposed to the at-risk-of-poverty group are inhabitants of the North region of Montenegro, in which 37.6% are at risk of poverty, as well as 27.3% inhabitants of rural areas, compared to 16.4% who live in urban areas.

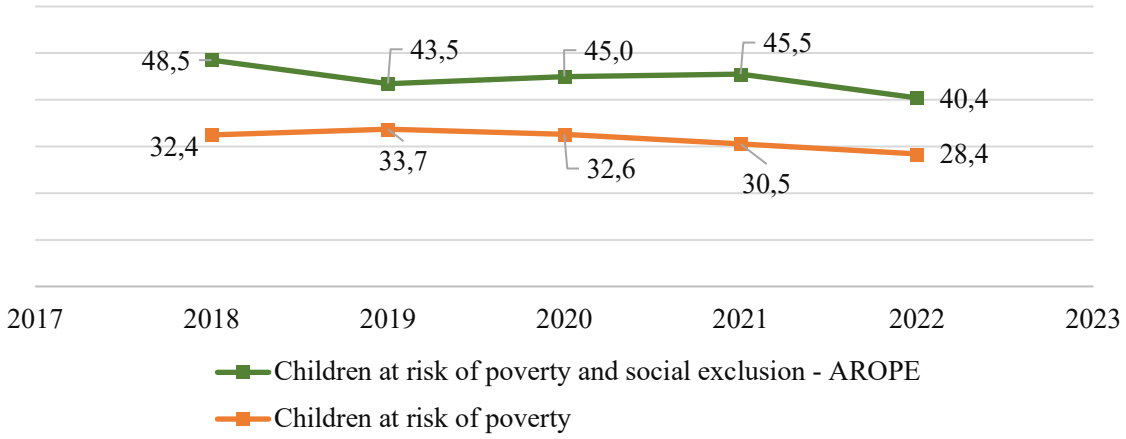
Figure 6: Being at risk of poverty by region and settlement, 2022



Source: Monstat (2023b).

Figure 7 shows that among children, a concerning 40.4% in 2022 were at risk of poverty or social exclusion. The value has decreased from 2011 when it was 45,0 which is close to half of all children in Montenegro.

Figure 7: Children and AROPE



Source: Monstat (2023b).

EU SILC provides valuable data on socio-economic inequality in Montenegro, specifically outlining the percentage of the population whose income falls below the at-risk-of-poverty threshold. AROPE is widely used today in studies related to poverty, well-being, and social cohesion. It is also used as an important indicator based on which relevant policy-making is conducted. For instance, the EU's 2030 target includes the reduction of poverty which is based on AROPE data.

2.2.3 Income quintile share ratio

Economic inequality or precisely income inequality can be measured using the income quintile share ratio, abbreviated as QSR or S80/S20 which is calculated as the ratio of total income received by the 20 % of the population with the highest income (the top quintile) to that obtained by the 20 % of the population with the lowest income (the bottom quintile) (Eurostat, 2021). Income quintile share ratio in Montenegro in 2022 was 5.58, which indicates that 20% of citizens with the highest income (the fifth quintile) had 5.58 times more income than 20% of citizens with the lowest income (the first quintile) (Monstat, 2023b) while EU`s quintile ratio is 5.0 (Eurostat, 2021).

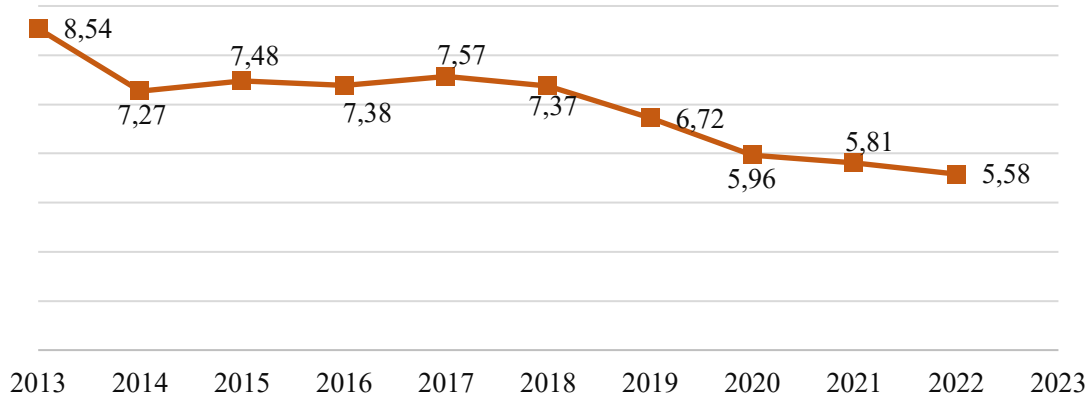
QSR value is calculated by ranking all households by income from lowest to highest. After that, it is necessary to divide all households into five groups with an equal number of people. These groups are called “quintiles”. This now allows seeing the difference in total income share earned by the lowest quintile and the highest quintile on the other side. Thus, the QSR value is obtained by dividing the share value of the top 20% (quintile with the highest income) by the bottom 20% (quintile with the lowest income). If there were a perfectly equal society, all the income shares within the quintiles would be the same (each 20% quintile would earn exactly 20% of total income), thus the QSR value would be 1.

Mathematically, QSR is expressed as:

$$QSR = (\text{Top 20\% share} / \text{Bottom 20\% share})$$

This measure is mostly valuable for its simplicity (Drezner et al, 2014), but also due to the insightful and clear picture it reveals of the inequality of income distribution. Figure 8 shows the income quintile share ratio for Montenegro over the years. We can see that the inequality of income distribution has been constantly decreasing, at different paces over time.

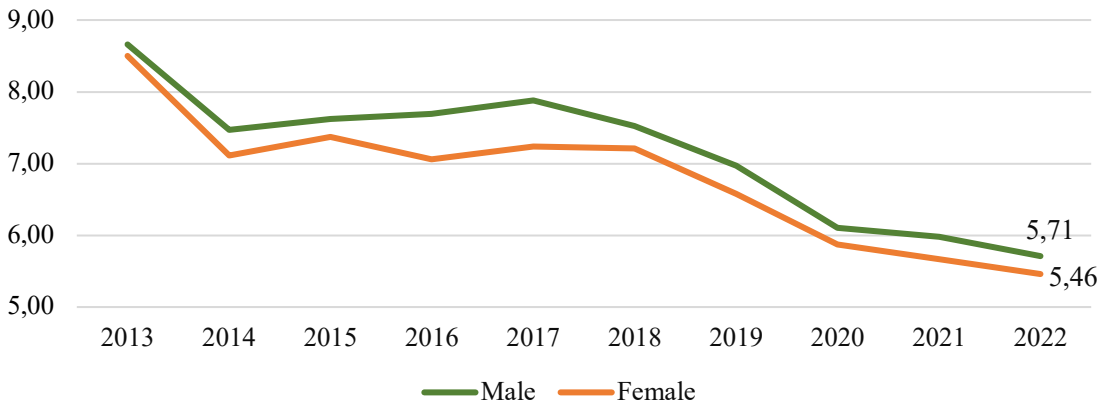
Figure 8: Montenegro's QSR across time



Source: Eurostat (2024a).

Figure 9 offers insight into gender differences, where the red line presents S20/S80 for men and green for women. The values are similar, while the income quintile share ratio within men continues to be somewhat higher than for women.

Figure 9: Gender and QSR in Montenegro



Source: Eurostat (2024a).

Table 2 presents the QSR values for Montenegro across the years as a comparison between genders along with the total value.

Table 2: Men, women and total QSR in Montenegro

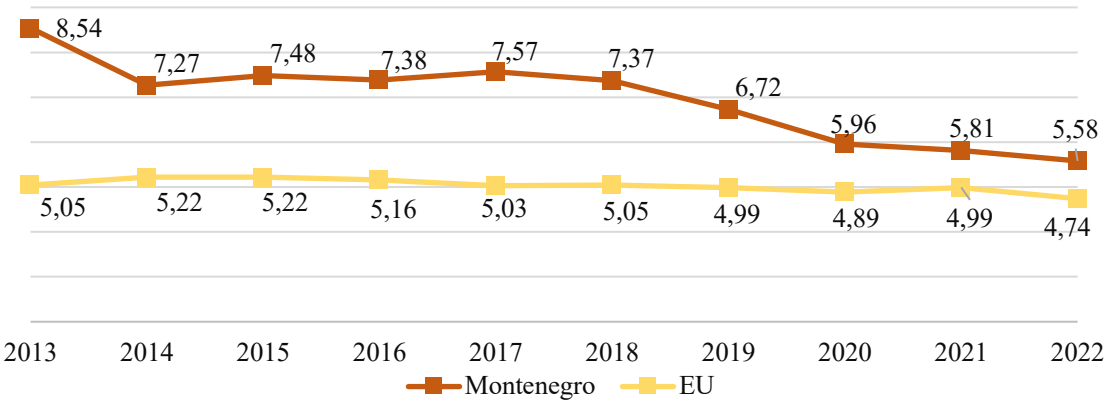
Time	Country	Men	Women	Total
2013	Montenegro	8.66	8.5	8.54
2014	Montenegro	7.47	7.11	7.27
2015	Montenegro	7.62	7.37	7.48
2016	Montenegro	7.69	7.06	7.38
2017	Montenegro	7.88	7.24	7.57
2018	Montenegro	7.52	7.21	7.37
2019	Montenegro	6.97	6.58	6.72
2020	Montenegro	6.1	5.87	5.96
2021	Montenegro	5.98	5.67	5.81
2022	Montenegro	5.71	5.46	5.58

Source: Eurostat (2024a).

When it comes to comparisons in the Western Balkan region, Turkey and the EU average, Montenegro, Serbia, Albania, and North Macedonia have somewhat very similar values, while the EU has smaller QSR values. The QSR value remains highest in Kosovo, where in 2018, the income of the top 20% was concerningly 14.2 times higher than the income of the bottom 20%, while in 2020 the ratio was slightly lower, but remains high at 12.8.

Figure 10 below presents a comparative analysis of Montenegro's and the European Union's income quintile share ratio. The data indicates that, while the EU consistently demonstrates a superior economic position, Montenegro has experienced a persistent decline in value from 2017 to the present. Notably, this sustained decrease has resulted in Montenegro's current value being the closest it has ever been to the EU's value.

Figure 10: Comparative analysis of Montenegro and EU S20/S80



Source: Eurostat (2024a).

2.2.4 Palma ratio

Finally, the Palma ratio, just like QSR, focuses on the differences in the income share of the richest and poorest population groups. The Palma ratio is the share of all income received by the 10% of people with the highest disposable income divided by the share of all income received by the 40% of people with the lowest disposable income (OECD, 2024b) and it is common to consider societies with a Palma ratio of 1 or below 1 to be relatively equal, meaning that the top 10% does not receive a larger share of national income than the bottom 40% (Trapeznikova, 2019). The higher the value, the higher the inequality.

The Palma Ratio is calculated in the following way:

- First, the top 10% of income or wealth share has to be calculated, which illustrates the proportion of total income or wealth held by the top 10% of the population.
- Secondly, the bottom 40% of income or wealth share calculation follows, which stands for the proportion of total income or wealth held by the bottom 40% of the population.
- Lastly, the Palma ratio is obtained by dividing the income or wealth share of the top 10% by the income or wealth share of the bottom 40%.

Mathematically, the Palma Ratio (P) is expressed as:

$$P = (\text{Top 10\% Share} / \text{Bottom 40\% Share})$$

The Palma Ratio provides a simple and intuitive measure of income or wealth inequality by focusing on the extremes of income or wealth distribution. It emphasizes the relative difference between the richest and poorest segments of the population and offers a clearer assessment of how income or wealth is distributed across society.

When it comes to interpreting the Palma Ratio: if it is less than 1 it indicates that the bottom 40% of the population holds a larger share of income or wealth than the top 10%; if Palma Ratio is equal to 1 it implies that the bottom 40% and top 10% hold an equal share of income or wealth; if the Palma Ratio greater than 1, it suggests that the top 10% of the population holds a larger share of income or wealth compared to the bottom 40%.

The Palma ratio in Montenegro stood at 1.4 in 2021 and it implies that major challenges in reducing inequalities remain in the country (Sachs et al, 2024).

2.3 Socio-economic inequality, economic growth and development

There has been some discussion on the relationship between socio-economic inequality and economic growth as well as its relation to development. Some researchers found that income inequality contributed to the financial crisis from 2007 to 2009, thus socio-economic

inequality eventually led to instability (Goda, 2016). This research concluded that it was exactly the bottom 90% of households that became over-indebted. The modern approach has demonstrated that in the presence of credit market imperfections, income distribution has a long-lasting effect on investment in human capital, entrepreneurial activity, aggregate income, and economic development (Oded, 2011).

Today, the richest 10 percent of the population in the OECD area earn 9.5 times the income of the poorest 10 percent; in the 1980s this ratio stood at 7:1 and has been rising continuously ever since (Cingano, 2014). Research indicates that people with higher incomes tend to have better health, more education and, a greater ability to participate in social and political activities within their communities (Sandel, 2012). Conversely, those with lower incomes often face barriers to accessing essential resources necessary for a decent standard of living. For example, research on health and income inequality shows that higher income inequality is strongly associated with greater infant mortality (Lynch et al, 2001). In high-inequality countries, people in disadvantaged households struggle to access quality education, thus imposing large amounts of wasted potential and lower social mobility (OECD, 2015). Currie and Goodman (2020) explain that investments in education pay off in the form of higher future earnings, and differences in educational attainments explain a significant fraction of the adult variation in wages, incomes, and other outcomes. Analysis based on OECD PIAAC data suggests that one key channel through which inequality affects economic performance is through lowering investment opportunities (particularly in education) of the poorer segments of the population (Cingano, 2014). Thus, if the opportunities to access higher education are determined by factors one can't influence, then we speak of inequality of opportunity and consequently socio-economic inequality.

In real life, social and economic inequalities are some of the main factors to blame for the rising homelessness across the world.

Modern economic research indicates that economic inequality harms long-term economic growth (Cingano, 2014) and vice versa and that is why it is an extremely popular topic among scientists coming from different backgrounds. Theory and subsequent empirical evidence have demonstrated that income distribution has a significant impact on the growth process, where the modern perspective advances the hypothesis that inequality may be harmful to human capital formation and economic development (Oded, 2011). Moreover, the econometric analysis covering data on the OECD countries over the past 30 years suggests that income inequality has a negative and statistically significant impact on subsequent growth (Cingano, 2014).

Marsh (2016) explains that rising income inequality is a major societal concern for both mature and emerging economies. IMF research findings suggest that raising the income share of the poor and ensuring that there is no hollowing-out of the middle class is good for growth through several interrelated economic, social, and political channels (Dabla-Norris et al., 2009).

On the other hand, the presence of poverty always means societal, economic, and political issues. The World Bank estimates that around 700 million people live on less than $2.15 per day, the extreme poverty line. Extreme poverty remains concentrated in parts of Sub-Saharan Africa, fragile and conflict-affected areas, and rural areas (World Bank, 2022). The sharp increase in poverty is likely to crush hopes of achieving the Sustainable Development Goals promoted by the United Nations, to eradicate extreme poverty by 2030 (Radio Free Europe, 2020), which is also concluded by the World Bank whose analysis showed that the global poverty reduction was severely impacted by the coronavirus pandemic (Word Bank, 2022) that only increased poverty as well as socio-economic inequality. They claim that an additional 23 million people were living in extreme poverty in 2022 compared to 2019 (World Bank, 2022). The consequences of the pandemic caused by the coronavirus seem to be more widespread and serious, dragging new demographic groups into extreme poverty. The people who live in extreme poverty are most vulnerable to climate-related shocks, and the poorest countries are the most exposed. The Work Bank recommends that the jobs are critical to reducing poverty and inequality, as well as empowering women, girls, and young people.

2.4 Intergenerational social mobility

In addition to socio-economic inequality, intergenerational social mobility refers to the relationship between the socio-economic status of parents and the status their children will attain as adults (Causa & Johansson, 2009). Thus, intergenerational social mobility is closely correlated to economic inequality and only shows the picture of socio-economic inequality more precisely.

This concept is important to study and examine since determinants of one's life success by the socioeconomic status of their parents' mean unfairness since the status of the parents is a factor beyond one's control. Thus, income inequality seems to go hand-in-hand with a lack of intergenerational mobility since the lack of opportunities due to the poor social background of the family only strengthens the inequality of their children (Cappellari, 2021). Countries with greater income inequality tend to also be countries with low intergenerational social mobility (Corak, 2013).

Sociologists distinguish absolute social mobility on one side and relative social mobility (social fluidity) on the other. The overall mobility rate is computed as the proportion of people who are in a destination class that is not the same as their origin (Breen & Muller, 2020). Breen and Muller (2020) further explain that measuring upward and downward mobility requires us to define what counts as upward and downward moves. Downward mobility is defined as movement from class I to any other class; from class II to any class except I or II; while upward mobility is defined as movement from class II to class I, for example (Breen & Muller, 2020).

Low mobility means that parental status determines the status of their children, where their children find it much harder to succeed in the same manner other children from parents with better status easily obtain. Research across the world has found that people usually claim that, for their success, the most important factors they cannot affect, include their parent's status. For example, a Pew Research Center global survey from 2014 found that while education and working hard were seen as important for getting ahead, knowing the right persons and belonging to a wealthy family were also critical, suggesting potential major hurdles to social mobility (Dabla-Norris et al., 2009). Beller (2009) discusses that family class origins should be seen as sets of economic, cultural, and other class-related resources that shape children's mobility chances. Breed and Muller's (2020) research on intergenerational social mobility found similarities in trends across many countries showing generations born before 1950 experienced upward mobility by weakening connection between their social class at birth and their future prospects, and later generations who experienced more downward mobility and little change in how origins and destinations are linked. Chetty et al (2014) investigated intergenerational social mobility in the United States and its relation to various social factors. They found that while the decline in racial segregation and high school dropout rates suggests an increase in mobility, the increase in inequality and single-parenthood rates predicts a slight decline in mobility.

Intergenerational social mobility is usually measured in terms of education and occupation, i.e., the difference in the education level of parents to their children's education level, or the difference in parents' occupational prestige to their children's occupational prestige. For example, Narayan (2018) discusses that greater intergenerational social mobility in education is associated with lower poverty when the generation reaches adulthood.

Intergenerational mobility is a key measure of equality of opportunity, where if intergenerational mobility is high, it suggests that individuals have the chance to achieve economic success based on their own merit, rather than being constrained by their family background (Tyson, 2024). Some research has found that inequality of opportunity in tertiary education is lower in the Nordic countries than in the Mediterranean and Eastern European countries (Palmisano et al, 2021). European Bank for Reconstruction and Development (hereafter EBRD) has found that, in Montenegro, circumstances like gender, parental education, and urban versus rural birthplace matter for inequality of opportunity in income. Furthermore, EBRD has also found that 29% of Montenegro's population in 2016 believed that political connections are the most important factor of success in life (EBRD, 2016). Nguyen (2020) has found that 36 percent of the labor income inequality in Montenegro is attributable to inequality due to circumstances beyond an individual's control. The same research further finds that it is the parents' education and gender that play a major role in determining income inequality of opportunity in Montenegro. Nguyen discusses that inequality of opportunity limits Montenegro's economic growth potential and living standards convergence with the EU.

Studying and analyzing intergenerational social mobility is crucial primarily due to applications for economic growth and development and social cohesion and well-being. When intergenerational social mobility is low, some individuals cannot even access tertiary education. Research has found that countries with the highest number of citizens with tertiary education are always the most developed countries. On the other hand, societies with high intergenerational social mobility provide opportunities for individuals to achieve their full potential regardless of their family background. Furthermore, when there is higher intergenerational social mobility, there is stronger human capital formation and a more productive workforce.

3 ANALYSIS OF MONTENEGRO'S ECONOMY

This chapter deals with Montenegro's economic and social environment.

3.1 Overview

Montenegro is the smallest country by population in the Western Balkans and one of the countries with the lowest population density in Europe. According to the first preliminary results of the census, whose data was collected at the end of 2023, 633 158 people live in Montenegro, which is about 2% more than in 2011[1] when its population was 620 029 (Monstat, 2024b). Life expectancy in Montenegro as of 2021 is 74.7 years (WHO, 2024), compared to the OECD average of 80.3 (OECD, 2024a) and the EU average of 80.1 (Eurostat, 2023b). Montenegro is classified in the group of upper-middle-income (UMC) countries by the World Bank (World Bank, 2024b).

In modern history, Montenegro has been a state member of the Socialist Federal Republic of Yugoslavia (SFRY) since 1945 after which it was part of the Federal Republic of Yugoslavia (FRY) and State Union of Serbia and Montenegro from 1998. Lastly, it regained independence in 2006. SFRY started to break down by 1990. Economic collapse and the impoverishment of the population were caused by the loss of the former single Yugoslav market into which the economy of Montenegro was very much integrated, the wars in parts of former Yugoslavia, and finally, international isolation (Đurić, 2003). During the 1990s, rapid liberalization in Montenegro was not followed by an individual region-specific plan and precise regulation which led to aggressive privatization by the, at that time, ruling circles of society. This approach did not yield the expected results of market transition and instead exacerbated issues such as corruption, cronyism and favoritism towards insiders and friends and families of Government members and societal elites. The process of privatization, deindustrialization, and job cuts led to an increase in the unemployment rate and a further reduction in the overall living standard (Ganić, 2019).

[1] The last census conducted before 2023, was in 2011.

Additionally, the region faced challenges stemming from its initial economic disadvantages and subsequent conflicts in the 1990s, which hindered necessary structural reforms. While efforts towards economic reform intensified after 2000, progress primarily relied on the accumulation of physical and financial capital, leading to mounting sovereign debt. The influx of large capital, facilitated by privatization and credit expansion, often diverted towards consumption rather than productive investments, impeding economic competitiveness. Consequently, economic indicators reveal significant shortcomings in the development of the enterprise sector and the establishment of robust competitive markets. Despite some efficiency improvements, overall productivity remains low, contributing to the region's unsatisfactory competitiveness.

In 2008, Montenegro applied for EU membership, after which it became an EU candidate country in 2010. In 2023, a public opinion poll showed that 78,5 % of the Montenegrin population supports its accession into the EU (Al Jazeera Balkans, 2023), and the support has been stable around that percent for almost 10 years.

Within the first articles of the Montenegrin Constitution from 2007, Montenegro is defined as a state of social justice. The mere terms and regulations that describe Montenegro as a country that takes care of social justice and cohesion are the legacy of post-socialism, but in the real world, there are a lot of shortcomings.

3.2 Montenegro's Economy

3.2.1 Gross Domestic Product

World Bank defines GDP as a sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is the most popular indicator used in the economic analysis of a country, especially in macroeconomics. Thus, to create a clearer picture of the Montenegrin economy, an analysis of the country's GDP, GDP per capita, and GDP growth rate will follow.

In Table 3, GDP at current prices and GDP at constant prices are shown in million EUR, while GDP per capita is shown in EUR. GDP growth rates (both nominal and real) and deflator are shown in percentages. The last available official data on GDP are from 2022. Thus, the GDP of Montenegro in 2022 was 5,924 million EUR, while the real growth rate of GDP in 2022 was 6.4% (Monstat, 2023c). GDP per capita in 2022 amounted to 9598 EUR. As a matter of comparison, GDP per capita in 2021 amounted to 8002 EUR, while the overall GDP amounted to 4,955 million EUR (Monstat, 2023c). We can notice that there has been a significant difference in real and nominal GDP growth rates. Even though the wages increased, these were followed by significant inflation, which contributed to the fact that the real GDP growth is significantly lower than nominal GDP growth.

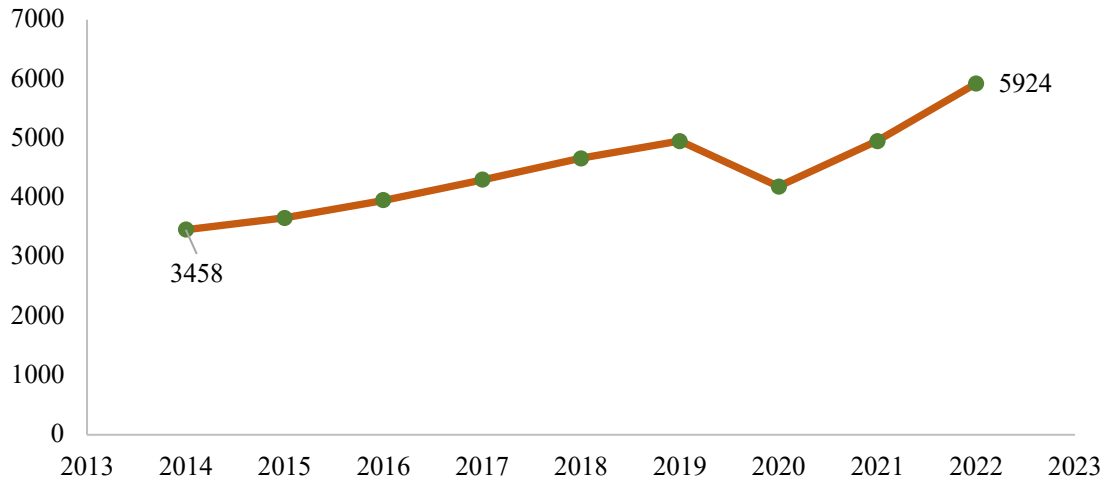
Table 3: Montenegro's GDP analysis over years

Year	GDP at current prices	GDP per capita	GDP growth (real)	GDP growth (nominal)	GDP at constant prices	Deflator (%)
2022	5924	9598	6,4%	19,6%	5273	12.4 %
2021	4955	8002	13,0%	18,4%	4731	4.7 %
2020	4186	6737	-15.3%	-15.5%	4193	-0.2%
2019	4951	7960	4.1%	6.2%	4853	2.0%
2018	4663	7495	5.1%	8.5%	4517	3.2%
2017	4299	6908	4.7%	8.7%	4141	3.8%
2016	3954	6354	2.9%	8.2%	3762	5.1%
2015	3655	5873	3.4%	4.8%	3575	1.4%
2014	3458	5561	1.8%	2.8%	3422	1.1%

Source: Monstat (2023c).

Figure 11 illustrates GDP values in million EUR over the years.

Figure 11: Montenegro's GDP in mill. EUR

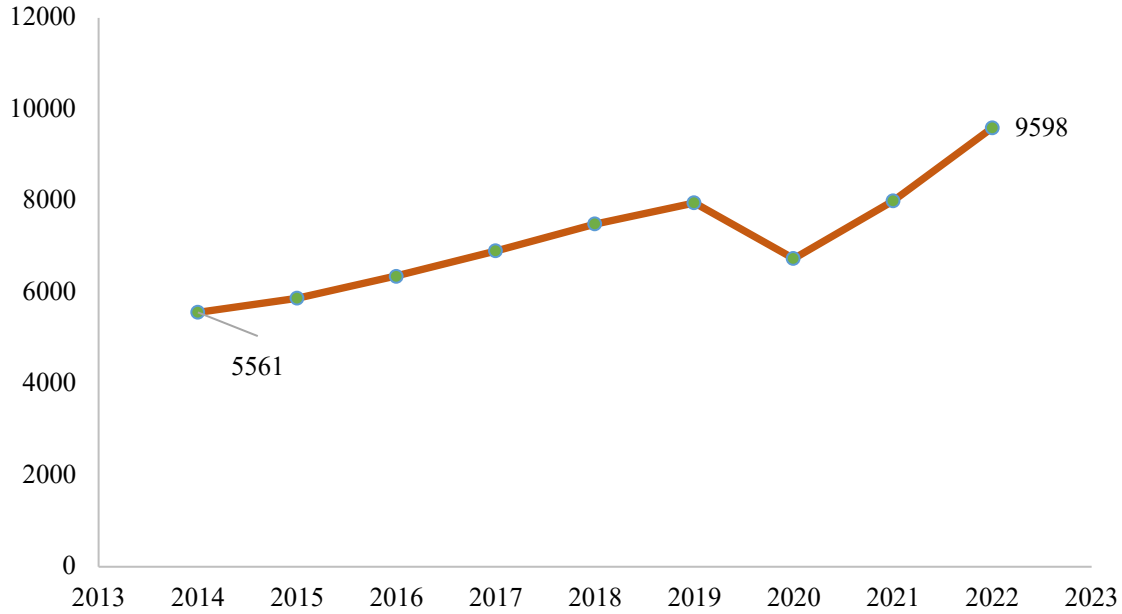


Source: Monstat (2023c).

GDP per capita in Montenegro was forecast to continuously increase between 2024 and 2029 by a total of 3,620.2 U.S. dollars (+28.63 percent). After the ninth consecutive increasing year, the GDP per capita is estimated to reach 16,265.7 U.S. dollars and therefore a new peak in 2029. (O'Neill, 2024).

GDP per capita has been on a constant rise (see Figure 12) except for the drop in 2020 when the coronavirus epidemic started and significantly impacted the country.

Figure 12: Montenegro's GDP per capita



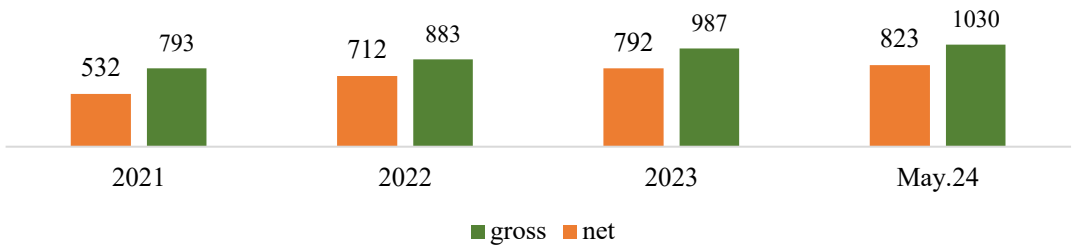
Source: Monstat (2023c).

Despite the significant rise in Gross Domestic Product (GDP) since 2020, Montenegro's economy remains vulnerable due to its heavy reliance on tourism, a vulnerability that was exposed during the COVID-19 pandemic. According to the World Travel and Tourism Council, tourism accounted for 25.5% of Montenegro's Gross Domestic Product (GDP) in 2021 (Portal Analitika, 2023), making Montenegro the country with the highest share of tourism in the whole of Europe.

3.2.2 Average wage

The last available data from Monstat, on the average monthly wage in Montenegro is from May 2024, where the average gross salary is 1020 EUR, which after the deduction of taxes and contributions equals 823 EUR net worth (Monstat, 2024a). Figure 13 shows the average monthly salaries in gross value and net value as of comparison for 2021, 2022, 2023, and May 2024. What we can see in the table below, is that there has been a radical increase from 532 in 2021 to 823 in May 2024, which can be attributed to the economic policy “Europe Now” that came into power from January 2022. The visualized increase can be seen in the figure above. From 2021, when the average net wage was 532, there has been a significant increase of 291 EUR to 823 in May 2024, which, in percentage, equals a 54,7% increase. This increase can be attributed to a new economic policy called “Europe Now” that came into power starting from January 2022, but was triggered by inflation. However, the gross wage increase did not follow the net increase, since the economic measure included transferring compulsory healthcare insurance, which used to be paid from employer to the state, to the employee directly. Thus, the increase in gross worth from 2021 to 2024 is 29,9%.

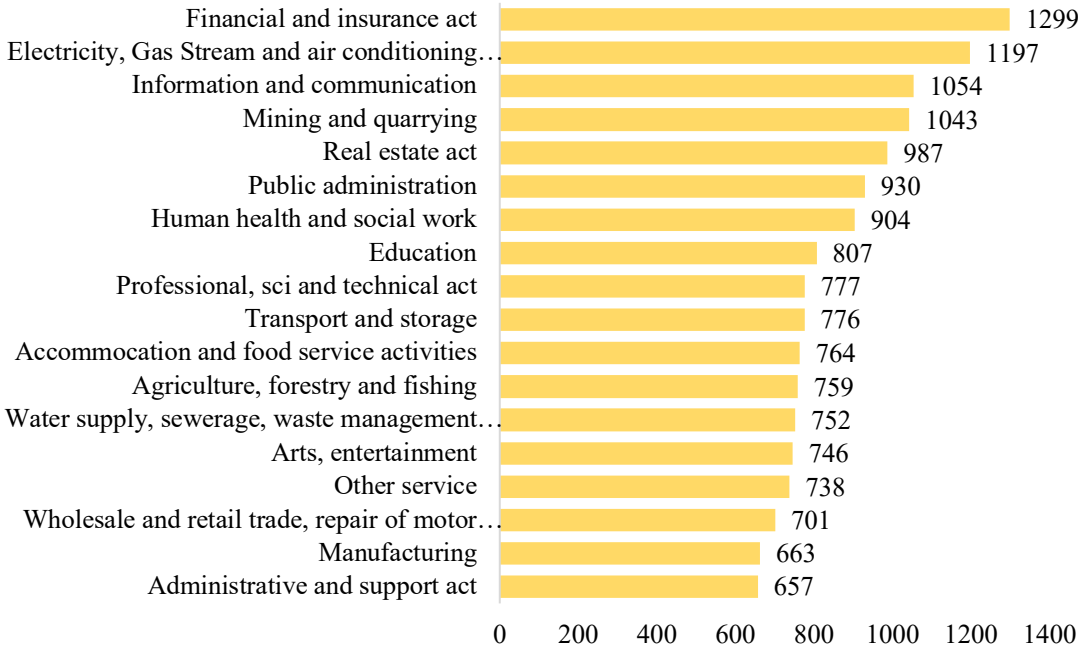
Figure 13: Comparison, gross & net 2021-2024



Source: Monstat (2024a).

The highest monthly salaries are in the field of insurance and financial activity (see Figure 14), where the average salary equaled 1704 EUR gross, which is 1299 EUR net worth. This sector is followed by the sector of electricity, Gas Steam, and air conditioning supply, where the average salary in this sector equaled 1550 gross worth, which is equal to 1197 EUR net.

Figure 14: Across sector wages, May 2024



Source: Monstat (2024a).

Even though the differences within sectors do not look too large, there is a huge discrepancy about what are the country's highest salaries. For instance, the highest monthly gross wage in 2023 was as high as 127 820 EUR, while the second-highest monthly gross wage was 110 370 EUR (Portal Analitika, 2024). This means that a more precise distribution of wages would be by calculating mean and median salary, not only the average that can show false images when extreme values are calculated within.

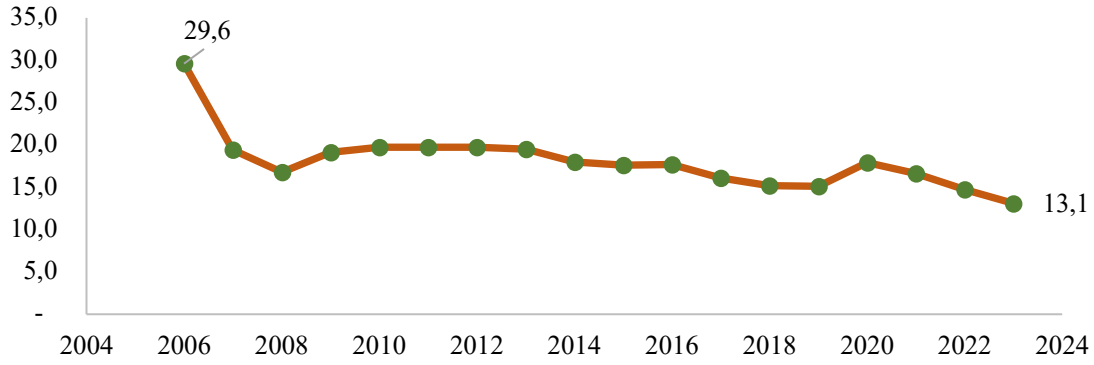
3.2.3 Unemployment rate

The unemployment rate is an important economic indicator that also serves for research on socio-economic inequality as well as intergenerational social mobility. High unemployment rates often lead to higher levels of poverty and reduced income for a significant portion of the population. This disparity in income distribution exacerbates socio-economic inequality, as those without jobs fall behind those who are employed in terms of financial stability and opportunities. Furthermore, wealthier families have more extensive social networks, which can provide social connections and job opportunities for their children. These networks can be critical in securing internships, job placements, and career advancement, which are less accessible to children from lower socio-economic backgrounds. Saunders (2002) finds that there is strong evidence that unemployment increases the risk of poverty and contributes to inequality. Montenegro was facing serious problems with unemployment, where in 2006, the number of those seeking work but unemployed rose to almost 30%. Fortunately, this number has been decreasing, reaching an all-time low of 13.1% in 2023. The EU's 2023 Report on Montenegro highlighted that even though the labor market situation improved, structural problems persist, especially the large regional disparities, gender gaps, informality, and high youth and long-term unemployment (Directorate-General for Economic and Financial Affairs, 2023).

With the market transition, the number of jobs in the economic sector was dropping (Đurić, 2003) and more and more people were employed in public administration. According to the data of the Revenue and Customs Administration from 2023, there are a total of 239 494 employees in Montenegro, from which the total number of persons employed in the public sector is 77 801, including the Government, ministries, administrations, agencies, institutions, local self-government, local self-government bodies, enterprises owned by the Government and local self-government, while the total number of persons employed in the private sector is 162 972 (Bankar Portal, 2023). This implies that one in three employed citizens is employed in public administration. The public administration has been seen as having low quality of service and unable to fulfil digital and EU standards, despite the enormous number of employees. On the contrary, employment in public administration has been seen as a way of "voter buying" as those who are provided with a job in public administration secure political loyalty to the ruling political parties. Montenegrin organization for anti-corruption fight "MANS" has been outlining that increased employment occurs right before the political election period, implying that this has become a systematic mechanism for voter securing (MANS, 2015).

Figure 15 illustrates the change in the unemployment rate over the years, showing its extremely high value in 2006 at 29,6% where one in three able-to-work citizens was unemployed, but it has been almost constantly falling, reaching 13,1% in 2023.

Figure 15: Change in unemployment rate



Source: Monstat (2024a).

Table 4 shows differences in the unemployment rate between men and women. We can see that there is no "rule" in the differences as in some years women have greater unemployment than men, such as in 2023, but in 2022 it was men who saw higher unemployment.

Table 4: Gender and being unemployed

Year	Total	Men	Women
2023	13.1	12.2	14.0
2022	14.7	16.2	12.8
2021	16.6	17.1	15.8
2020	17.9	17.5	18.4
2019	15.1	14.7	15.7
2018	15.2	15.2	15.1
2017	16.1	15.4	17.0
2016	17.7	18.2	17.1
2015	17.6	17.7	17.3
2014	18.0	17.8	18.2
2013	19.5	20.0	18.8
2012	19.7	19.3	20.3
2011	19.7	19.5	20.0
2010	19.7	18.9	20.7
2009	19.1	18.0	20.4
2008	16.8	15.9	17.9
2007	19.4	18.1	20.9
2006	29.6	29.1	30.1

Source: Monstat (2024a).

The unemployment rate is an important issue regarding socio-economic inequality since socio-economic inequality is also measured based on the work opportunities of an individual. In a country with a low unemployment rate, workers have the bargaining power to negotiate for better conditions and usually have bigger salaries. A low unemployment rate would be up to 5%. The EU's average unemployment rate is 6%, while in Western Balkans it varies from 9.4% in Serbia to 15.4% in BiH for 2022. Average employment growth in 2022 was 1.4% in the Western Balkans region (DG NEAR, 2023).

Depending on the most frequent activity status, for persons aged 18 or more, unemployed ones are the most exposed group to falling under the risk of the poverty threshold, shows the EU SILC (2023) in Montenegro. Precisely, in 2022 40.3% of unemployed persons fall into the at-risk of poverty group (see Table 5 below).

Table 5: At risk of poverty by most recent activity status, Montenegro

	2020	**2021**	**2022**
Employed at employer	7,0	5,0	5,1
Self-employed	22,7	15,7	10,2
Unemployed	42,8	40,2	40,3
Pensioners	12,2	12,2	12,0
Other inactive	29,5	28,8	27,1

Source: Monstat (2023b).

Though recently on a decline, Montenegro's income inequality is still relatively high when compared to European Union (EU) countries, (Nguyen, 2023) especially keeping in mind that the most recent unemployment rate from 2022 in Montenegro equals 13.1% (Monstat, 2024a) and is considerably higher than EU's average in 2022 which was 6.2% (Statista, 2023). This inequality raises the question of fairness and limits Montenegro's economic growth potential and living standards convergence with the EU (Nguyen, 2023). From the opposite perspective, it also looks like economic growth determines income inequality in Balkan countries. Regression analysis from 2021 found that economic growth is a determinant of the level of income inequality in the Balkan countries but implied that also other factors may be related to income inequality such as effective government spending, social policy, education policy, etc. (Velkovska et al, 2021).

3.2.4 Inflation

Inflation is an important economic indicator since a rise in consumer prices lowers the purchasing power of a currency, and most importantly, it puts at higher risk those who are unemployed and poor. For quite some time, researchers have been proving that there is a positive correlation between inflation and economic inequality. Some of them are Romer and Romer (1998) as well as Albanesi (2007) who found that inflation is positively related

to the degree of inequality in income due to the relative vulnerability to inflation of low-income households.

After the EU's sanction towards Russia, following the war in Ukraine, there has been significant inflation recorded worldwide, since the price of oil and gas increased, thus increasing most goods and services. Montenegro recorded the highest inflation in 2022 since regaining its independence in 2006. Consumer prices were13.0% higher on average in 2022 compared to the previous year. Table 6 below reveals the inflation rate in 2021 and 2022, with a peak high of 17.2% in December 2022.

Table 6: Montenegro's inflation, 2021-2022, in %

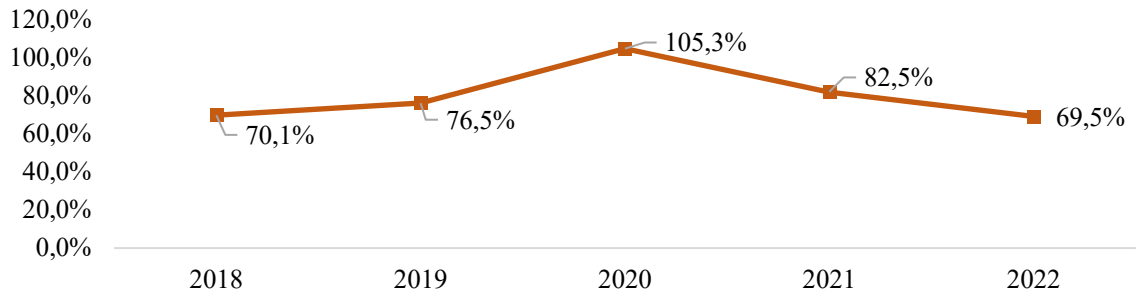
	2021				**2022**			
	III	**VI**	**IX**	**XII**	**III**	**VI**	**IX**	**XII**
Change in relation to the previous year-end	1,4	2,4	3,3	4,6	6,3	11,1	14,5	17,2
Annual change	0,8	2,4	2,9	4,6	9,7	13,5	16,0	17,2

Source: Central Bank of Montenegro (2022).

3.2.5 Government Debt

In the whole WB6 and Turkey region, Montenegro saw the highest general government debt as a percentage of annual GDP over the years, which stood at 69.5% of the GDP in 2022 (see Figure 16) (Directorate-General for Economic and Financial Affairs, 2023).

Figure 16: Debt as % of annual GDP



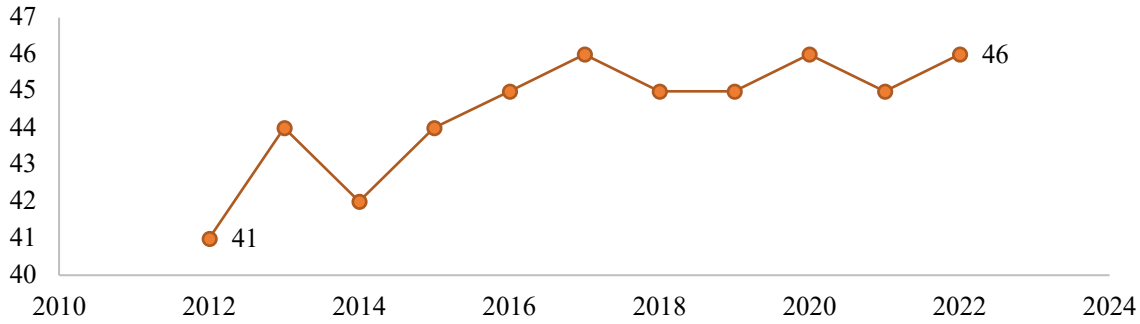
Source: Directorate-General for Economic and Financial Affairs (2023).

3.2.6 Corruption

The high level of corruption and within it - favoritism, clientelism, and nepotism, impacts inequality of opportunity. Economic inequality is likely to encourage clientelism and deter

the development of programmatic policies (You, 2015). In many post-socialist societies, the prevailing corrupt practices of resource distribution have both disrupted socialist egalitarian policies and prompted the emergence of crony capitalism (Smith, 2010). Montenegro's unequal employment opportunity is higher than in all EU countries, and for labor force participation, Montenegro's unequal opportunity is higher than all but three EU countries (Nguyen, 2023). According to the Corruption Perception Index (hereafter CPI) conducted by Transparency International, problems with corruption remain significant in Montenegro. Values of CPI can range from 1 to 100, where 1 means completely corrupted and 100 no corruption at all. The CPI for 2023 for Montenegro is 46, putting the country in 63rd place on the global scale (Figure 17).

Figure 17: CPI in Montenegro, 2012-2023 score change



Source: Transparency International (2023).

Corruption is a widely recognized issue in Montenegro, where it has been a primary blocker for Montenegrin EU accession process. According to the European Commission, corruption, including high-level corruption, remains an issue of concern and is prevalent in many areas, including in-state structures (DG NEAR, 2023).

3.3 Socio-economic policies and regulations

Montenegro's socio-economic landscape has undergone significant changes since the introduction of new policies and regulations in recent years. In 2022, the newly established Government passed a law that increased the minimum wage from 200 to 450 euros. This legislative change also abolished the individual contribution to the state health system, redirecting these funds to employees' net wages, which substantially increased the average wage in the country. By May 2024, the average net wage in Montenegro reached 832 euros after taxes and contributions (Monstat, 2024a). However, this wage increase was accompanied by high inflation, which eroded the purchasing power of the population. What is the most concerning aspect is the proportion of young people that are at risk of poverty, which we already mentioned in the previous chapter. Inflation particularly affected unemployed individuals and those reliant on social benefits and pensions, which only increased socio-economic inequality. According to the 2021 EU Progress Report for

Montenegro, the proportion of young people not in employment, education, or training (NEETs) increased to 27% (UNICEF Montenegro, 2021). In 2020, the World Bank estimated that more than 34,000 Montenegrins may have fallen into absolute poverty due to the economic downturn related to the pandemic (UNICEF Montenegro, 2021). Additionally, many Montenegrins lack adequate housing and access to basic infrastructure and services such as water, heating, sanitation, and electricity. Human Rights Action has highlighted the prevalence of overcrowded and unsafe housing conditions. That raises questions on how to address these issues.

Although social benefits were increased in 2023, they remained insufficient. The NGO Human Rights Action (HRA) has criticized this inadequacy, highlighting that low social assistance encourages the grey economy and exploitation of the poorest. They have pointed out that since 2014, the UN Committee for Economic, Social, and Cultural Rights has recommended increasing social benefits to ensure a decent standard of living for vulnerable populations, recommendations that have not yet been implemented (Aktuelno, 2023). EU's social benefits expenditure makes up 28.7% of GDP, while in Montenegro it is notably lower -18.7% (Eurostat, 2023a).

Poverty alleviation, defined as the near absence of people living below the international poverty line, remains a significant challenge for Montenegro (Miller et al, 2022).

These socio-economic challenges underscore the need for comprehensive policies and effective implementation to reduce inequality and promote social mobility in Montenegro. One of the possible solutions could be the redistribution of revenue from tourism taxes to increase employability, invest in socio-economic protection and reduce inequality. Montenegro is abundant in natural resources, which provides a strong foundation for its tourism industry, which serves as a significant source of government revenue through taxation. However, the question remains whether these revenues are being utilized to reduce poverty, which remains a problem largely impacted by corrupted practices such as funds misallocation or embezzlement. Kinyondo and Pelizzo (2015) discussed that it remains unclear whether the growth and development driven by tourism can effectively address poverty and reduce income inequality, which leaves space for further interesting research.

4 METHODOLOGY

This chapter deals with tools and approaches used in the research: how are they used and how they help answer research questions.

4.1 Research framework, purpose and goals

Socio-economic inequality, intergenerational social mobility, and the economic, social, and political context in Montenegro form the foundation of this research. To comprehensively

analyze these concepts within the case of Montenegro, this master thesis utilizes a holistic research approach that assures the analysis is comprehensive and appropriate. The first part of the thesis relies on selected articles, books, and essays that reflect the main findings, theories, and justifications that have been accumulated so far in this field. These pieces present valuable sources for any further theoretical explanations and justifications, thus creating an essential base for the exploration and analysis that is provided. Thus, the first part of the thesis relies heavily on literature review and secondary data collection and analysis while the second part relies on primary data collection and analysis. Specifically, research on socio-economic inequality relies on secondary quantitative data collection and analysis, while research on intergenerational social mobility relies on primary quantitative data collection and analysis.

So far, not much has been investigated and discussed in the case of Montenegro's socio-economic inequality and especially intergenerational social mobility, and this research could provide some data gap filling. Thus, the purpose of this thesis is to comprehensively understand socio-economic inequality in Montenegro, analyze its effects, and explore the significance of intergenerational social mobility. By providing a detailed overview of Montenegro's socio-economic inequality and trends, policymakers can develop targeted policies to address the issue. This thesis can therefore establish a foundation for future research and policy-making in the field.

The main goals of this master thesis include: defining socio-economic inequality based on relevant literature and providing information on dimensions and indicators of economic inequality; reviewing the literature on the effects of socio-economic inequality and the importance of social mobility in studying and revealing true economic inequality; to provide a deeper understanding of economic inequality and economic trends of Montenegro; to explore differences between Montenegro's situation and situation in neighboring countries as well as other economies similar to Montenegrin; to determine the current levels of intergenerational mobility in Montenegro based on empirical research, to compare current levels of intergenerational mobility with mobility of previous generations; to develop suggestions and implications for policymakers as a foundation for future research and policy making in the area.

4.2 Data collection methods

The theoretical part of the thesis relies on a review of selected articles, books, and essays that encapsulate the primary theories and findings in the field.

The empirical part of the thesis includes both secondary and primary data collection. The information regarding socio-economic inequality and Montenegro's economy relies on secondary data and is retrieved through available measures such as the Gini index, AROPE, Income quintile share ratio, and Palma ratio. These data come from Eurostat, the World Bank, the Montenegrin Office for Statistics, and the UN. Some other data also collected are

GDP, GDP per capita, GDP growth, average wage, unemployment rate, CPI, inflation, and government debt.

The thesis also engages in primary data collection in the form of a survey conducted in 2022 in Montenegro. The sample size of 1008 was selected through a multi-stage probability sampling process, which involved stratified sampling followed by systematic sampling. The data refers to all private households and individuals living in the private households in the national territory at the time of data collection. This data has never been published or analyzed before and was collected only for this master thesis research.

The survey contains questions that allowed me to make comparisons of respondents' education level and occupation with their parents' education and occupation. I analyzed data with SPSS by using descriptive statistics tools and crosstabs. Respondents were asked about their educational attainment using a Likert scale. Subsequently, they were asked to report the educational levels of their mother and father using the same scale. Additionally, respondents provided information about their occupations as well as the occupations of their parents through open-ended questions, allowing them to freely describe these occupations. The intergenerational social mobility based on education is measured through the relationship between the variable education of the respondent and education of the father on one side as well as the relationship between variables education of the respondent and education of the mother. The relationship is analyzed using the Chi-Square Test. The intergenerational social mobility based on occupation is measured through the relationship between the variable occupation of the respondent and occupation of father on one side as well as the relationship between variables occupation of the respondent and occupation of mother, with Chi-Square Test utilization.

To analyze the data, the variable concerning education was processed using SPSS crosstabs. In contrast, the open-ended responses regarding occupation were coded into distinct categories to generate meaningful frequency distributions. The occupations were categorized into the following groups:

Group I: Occupations with the highest occupational prestige, typically requiring at least a bachelor's degree, and often a master's or Ph.D. This group includes university professors, scientists, managers, CEOs, and high-level political officials;

Group II: Occupations with strong occupational prestige, generally necessitating a minimum of "higher school/college[2]" education. This group encompasses office/administration workers, civil servants/employees of public administration, bankers, economists, political scientists, school teachers, police officers, soldiers, and financial workers;

[2] In Montenegro, a “higher school” is a type of a 2-year college in which students specialise in specific sphere such as police or nursing.

Group III: Occupations with average prestige, usually requiring from primary school to high school level of education. Examples include nurses, artisans, drivers, cashiers, factory workers, and physical laborers such as carriers and construction workers;

Group IV: Occupations within the sphere of the "invisible economy," where opportunity costs exist without income, notably homemakers;

Students: Individuals currently pursuing education;

Unemployed/No Occupation: Respondents without employment or an occupation;

N/A: Respondents who either did not wish to disclose their occupation or provided an answer that was not interpretable.

The outcomes of these analyses were then interpreted in the context of the research questions and objectives. The significance of findings, implications for the broader field, and potential applications were carefully considered. Visual aids, such as charts and graphs generated within SPSS, were incorporated to enhance the visualization of results.

4.3 Sample description

The sample counts 1008 respondents from all over Montenegro to properly reflect the Montenegrin population, a multi-stratified probability sampling method has been used. The first stage in sampling was based on the geographical distribution of the population in Montenegro using the voting stations, where each region got that many surveys as compared to the last census data from 2011. The second stage was based on every second household in the given street whereas the 3rd stage was based on the last-person-that-celebrated-birthday within the household. Only 18+ respondents were qualified to take part in the survey.

I conducted this research during my time as a researcher in a research company De Facto Consultancy by designing the sample, method, coordinating the field data collection, and later cleaning and analyzing data. The on-field surveying was conducted by more than 40 field surveyors who used the CAPI (Computer Assisted Personal Interviewing) method of interviewing and were properly coordinated and placed in different survey locations. The dataset was cleaned and weighted to more clearly represent demographics from the last census of 2011. Data are to be based on a nationally representative probability sample of the population residing in private households within the country, irrespective of language, nationality, or legal residence status. All private households and all persons aged 18 and over within the household are eligible for the survey. The surveys had gone through telephone and logical checks and were exported from Survey-To-Go Studio to SPSS.

4.4 Ethical considerations

During the primary data collection phase via the survey, measures were implemented to ensure the confidentiality and anonymity of the participating respondents. Confidentiality was upheld by safeguarding the personal information provided by respondents, ensuring that only authorized researchers had access to the data. Additionally, anonymity was maintained by assigning unique identifiers to each respondent, thereby preventing the linkage of individual responses to specific participants, i.e. field surveyors do not ask the respondents for their personal identifying information such as first and last name or ID. These measures were implemented to instill trust and confidence among the respondents, encouraging honest responses, while also adhering to ethical standards in research conduct.

5 RESEARCH FINDINGS

This chapter presents the main findings from the empirical research.

5.1 Relationship between father's education and intergenerational mobility

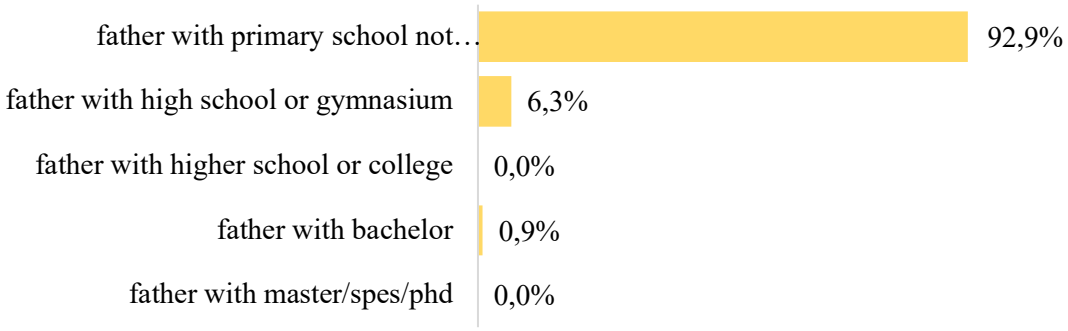
In the survey that was conducted in the latter half of 2022, the respondents were asked for their highest level of education obtained at that moment, as well as for the highest level of education of their mother and father or legal guardians. The initial idea is to later see the relationship of the two variables that could show how much the respondents could go up or down from their parental circumstances, in terms of the educational level, which would eventually show the intergenerational social mobility level.

To find out if there exists a pattern between two observed variables (education of respondents on one side and education of respondent's father on the other), a Chi-Square test was utilized and the result showed that a relationship between the data is not there by chance but due to a patterned relationship. The Chi-Square test for the education of the respondent and the education of the father shows that asymptotic significance, or p-value is lower than 0.001, which is lower than 0.05[3], implying that there exists a statistically significant relationship between the two variables. Later, a crosstabulation table displayed the frequency distribution among variables, enabling the examination of their relationship.

The data indicates that among respondents who reported having an education level of incomplete primary school or only primary school completed, a significant majority (92.9%) have fathers with the same educational attainment. This suggests a strong correlation between the educational levels of respondents and their fathers, highlighting limited intergenerational social mobility within this sample (Figure 18).

[3] P value has to be lower than 0.05 in order to prove patterned relationship

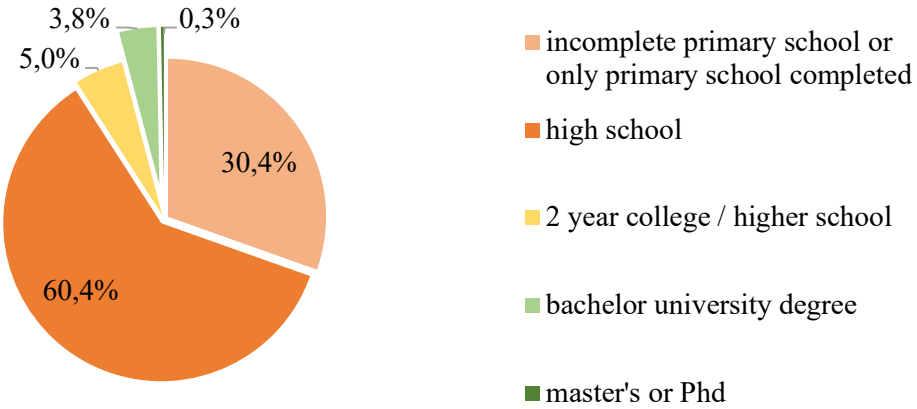
Figure 18: Respondents with primary level / father's education



Source: Own work.

The data provides further insight into intergenerational social mobility by examining the educational attainment of participants relative to their fathers' educational levels. Specifically, Figure 19 shows that out of all respondents whose father's education level is incomplete primary school or only primary school completed, close to a third (30.4%) remained at the same educational level, while a majority of 60.5% advanced to complete high school, 3.8% attained a university degree and only 0.3% achieved a graduate degree (master's or PhD). This distribution suggests a moderate degree of intergenerational educational mobility. While a significant proportion of individuals remained at their fathers' low educational level (30.4%), a majority (60.5%) managed to attain a higher level of education by completing high school. However, the relatively low percentages of participants achieving university (3.8%) and graduate degrees (0.3%) indicate that upward mobility to higher education is limited. This pattern reveals that while some level of mobility is occurring, substantial barriers remain to achieving the highest educational levels, reflecting ongoing challenges in breaking cycles of educational disadvantage across generations.

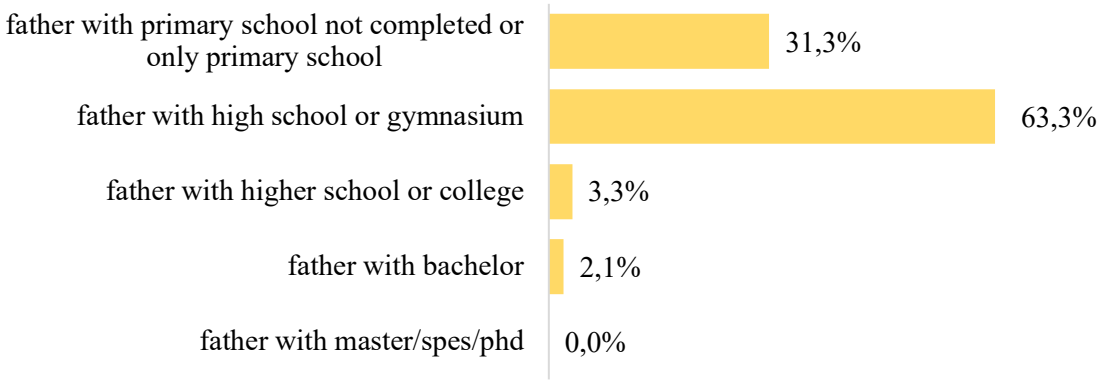
Figure 19: Education of respondents whose fathers are on primary level



Source: Own work.

When examining respondents who completed high school or gymnasium, there are notable patterns regarding the educational levels of their fathers (Figure 20): the majority (63.3%) of these respondents have fathers who also achieved a high school or gymnasium level of education, a close to third (31.3%) have fathers with a lower educational level, specifically either incomplete primary school or only completed primary school and 5.4% have fathers with higher education levels than high school. These figures suggest a mixed picture of intergenerational social mobility. A significant majority of high school graduates (63.3%) share the same educational level as their fathers, indicating a strong degree of educational inheritance. However, the fact that 31.3% of these respondents have fathers with lower educational attainment reflects upward mobility, as these individuals have surpassed their fathers' educational levels. Conversely, only a small proportion (5.4%) have fathers with higher educational attainment, suggesting limited downward mobility. Overall, while there is evidence of upward social mobility for a notable minority, the data uncovers the persistence of educational levels across generations. In terms of intergenerational social mobility, these results highlight the tendency for secondary educational attainment to be reproduced across generations, with limited downward mobility. This persistence suggests that families with average educational backgrounds tend to maintain their educational status.

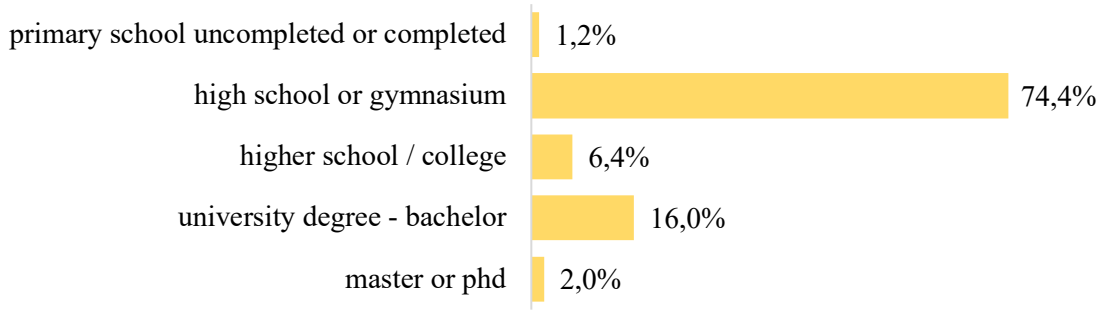
Figure 20: Respondents with high school level / father's education



Source: Own work.

Another interesting observation is that out of all respondents whose fathers have a high school or gymnasium (Figure 21), a significant majority (74,4%) or 3/4 of this sample has stayed at the same educational level, while 1,2% went downward and 18,0% obtained university degree. The fact that 3/4 of respondents in this sample have the same educational level as their fathers indicates a strong persistence of educational attainment across generations. This suggests that the children of high school graduates are likely to attain a similar level of education, reflecting stability in educational outcomes within this group. With 18,0% obtaining a university degree, it demonstrates that while educational persistence is strong, there is also some potential for advancement to higher education within this subgroup.

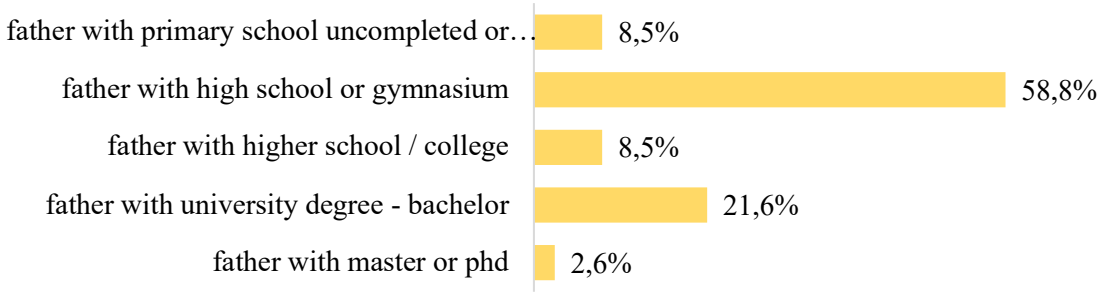
Figure 21: Education of respondents whose father are on secondary level



Source: Own work.

If looking at the respondents who reported to have obtained a university bachelor's degree (Figure 22), we see some upward intergenerational social mobility from their father's educational attainment. Precisely, a majority of 58.8% of respondents who have obtained a bachelor 's university degree has a father with high school or gymnasium, which showcases the upward mobility from one level to another higher level. Moreover, 21.6% of them come from a family in which a father also holds university bachelor degree, which presents a fifth of the sample.

Figure 22: Respondents with university bachelor degree / father's education



Source: Own work.

Data further show that out of all respondents whose fathers have university bachelor's degrees, more than 60% of these respondents have either bachelor's or master's and PhD degrees, which also implies a strong persistence of high educational attainment across generations. When analyzing respondents whose fathers hold a master's or PhD degree, the following distribution occurs: 50% of these respondents have attained the same level of education (master's or PhD) and the other 50% have achieved a bachelor's degree. This data indicates a high degree of educational persistence at the higher end of the educational spectrum. Half of the respondents have maintained the same high level of educational attainment as their fathers, which suggests strong educational continuity within this group. The other half, who have bachelor's degrees, have experienced a slight downward mobility

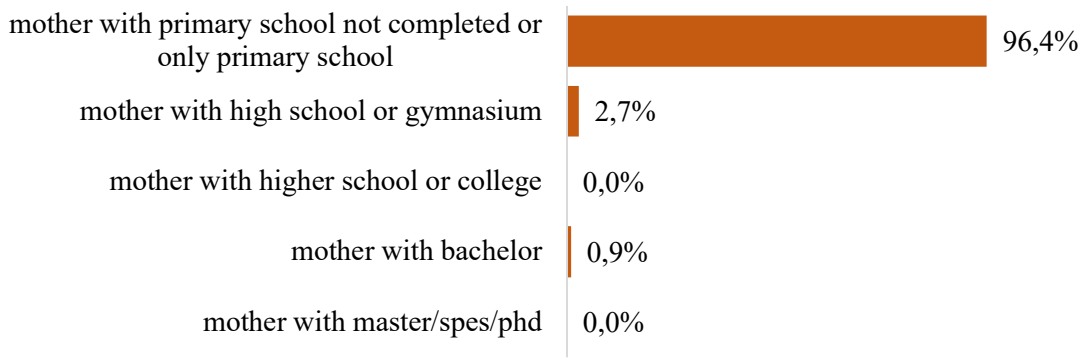
relative to their fathers' higher educational levels. However, it is important to note that even this "downward" movement results in a relatively high level of educational attainment, reflecting the overall higher educational background of this subgroup.

5.2 Relationship between mother's education and intergenerational mobility

Respondents were asked to report the education of their mother, using the same education scale as for the question on the education of the respondent and the education of the father. When variables education of the respondent and education of the respondent's mother are put in a relationship using the crosstabulation function in SPSS, i.e. Chi-Square Test, we see that p-value is lower than 0.05 thus implying that there is a statistically significant relationship between the two variables.

Comparing the respondents who have primary school incomplete or primary school completed, there are 96.4% of them who have a mother at the same level of education and 2.7% have a mother who has completed secondary education and only 0.9% have a mother who has a university degree (Figure 23). These findings highlight the strong persistence of low educational attainment from mothers to their children. The high percentage (96.4%) of respondents whose mothers have the same low level of education suggests that educational attainment at this level is highly inherited, with limited upward mobility. The small percentages of respondents with mothers who attained higher education (2.7% for high school and 0.9% for university) indicate that it is uncommon for children with mothers of low educational backgrounds to achieve higher educational levels. This points to significant barriers in breaking the cycle of low educational attainment across generations.

Figure 23: Primary school level respondents / mother's education

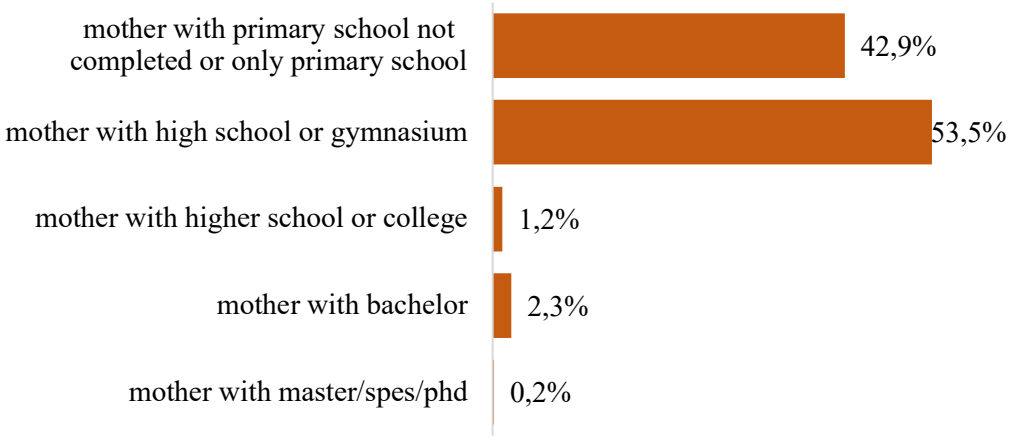


Source: Own work.

Out of all respondents with a high school or gymnasium, 53.5% have a mother who has a high school or gymnasium as well and 42.9% have a mother with a primary school level (Figure 24). A significant portion of respondents (53.5%) have the same high school or gymnasium level of education as their mothers. This indicates a notable degree of

educational persistence or intergenerational social stagnation. The fact that 42.9% of high school graduates have mothers with only a primary school education level indicates limited upward mobility from primary to secondary education.

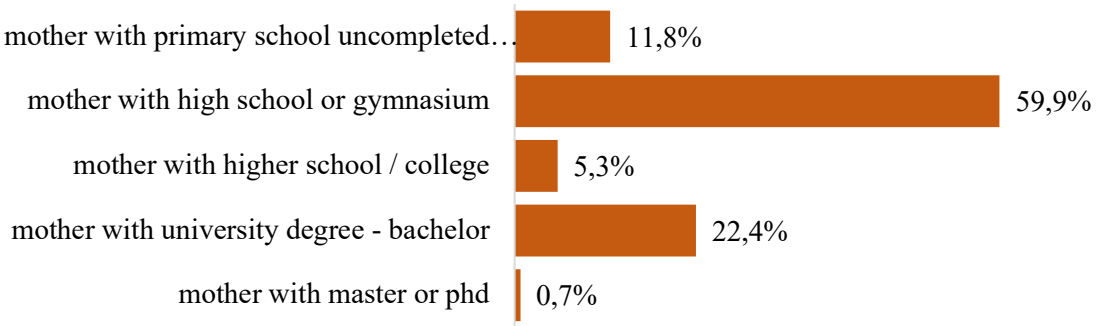
Figure 24: Respondents with secondary education / education of mother



Source: Own work.

Out of all respondents who have a university bachelor's degree (Figure 25), 11.8% have a mother with primary school uncompleted or only primary school completed, 59.9 % of them have a mother who obtained high school or gymnasium diploma, while 22.4% have a mother that obtained the university bachelor degree. The majority (59.0%) of university bachelor degree holders having mothers with high school or gymnasium diplomas indicates an upward mobility. Close to a quarter of all who have a university bachelor's degree have a mother who also has the same level of education, which demonstrates a notable degree of educational persistence at the higher education level. While many have progressed to higher education, it also suggests that maintaining or slightly improving maternal educational levels is common.

Figure 25: Respondents with bachelor degree / education of mother



Source: Own work.

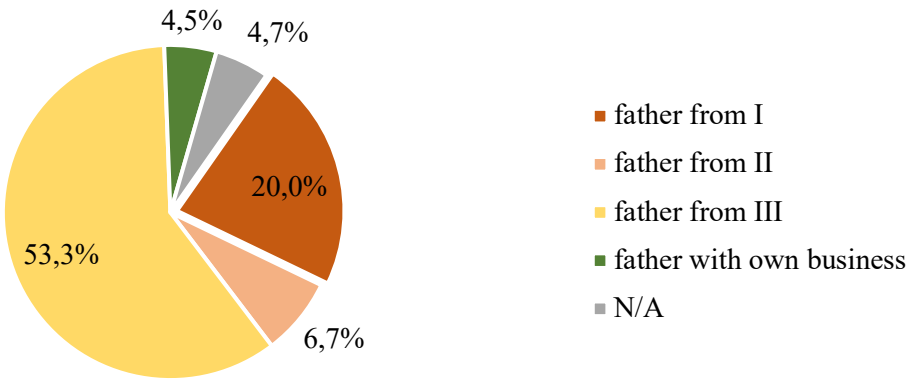
5.3 Relationship between father's occupation and intergenerational mobility

The respondents were asked to report on their occupation as well as the occupation of their father. To analyze the relationship between these two variables, another crosstabulation with Chi-Square Test in SPSS has been utilized. The relationship between the variable occupation of respondents and the occupation of their father is found to be statistically significant by the Chi-Square Test, since the p-value happened to be lower than 0.001.

The variable has been using the following values: I – highest level of occupational prestige (medical doctors, university professors, high political officials, CEOs, scientists); II – high level of occupational prestige (school teachers, economists, administrative managers, bank staff); III – medium to low level of prestige (artisans, cashiers, physical workers, electricians, waiters/waitresses, bar staff) and IV – lowest level of prestige since the person does not even receive any income and works in the field of unpaid care and housework (homemaker/home keeper). Additionally, a smaller subset of respondents was classified into categories including Family/Own business, Student (individuals currently pursuing education), Unemployed, and N/A (respondents who chose not to disclose their occupational status). This same scale has been applied consistently to code the responses for the occupational status of the respondents, their fathers, and their mothers.

When it comes to findings, among respondents who reported belonging to the I group of occupations, a fifth of them (20.0%) have a father who belongs to the same group, and 6.7% have a father who belongs to the II group (Figure 26). The most striking finding is that 53.3% of respondents in the I occupational group have fathers who belong to the III occupational group. This significant proportion highlights a substantial upward mobility, where over half of the respondents have moved up from lower occupational groups to higher ones compared to their fathers. However, the proportion of respondents who belong to I the group of occupation is very small, and out of all respondents (1008), only 15 belong to the group, i.e., the frequency is very low, thus no significant implication can be made.

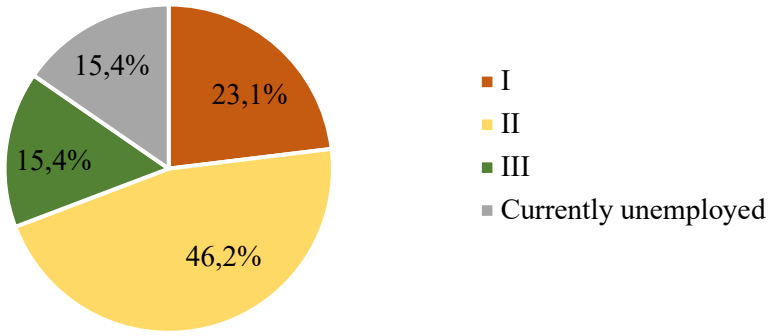
Figure 26: Respondents from I group / father's occupation



Source: Own work.

On the other side, out of all respondents who have a father who was reported to belong to the I group of occupations, 23.1% of them belong to the I group, and almost a half (46.2%) belong to the II group of occupations, while only 15.4% belong to the III group and none belong to IV group (Figure 27). When it comes to implications for intergenerational social mobility, the fact that only 15.4% of children of fathers in *Group I* belong to *Group III,* and none fall into *Group IV*, implies that there is limited downward mobility which underscores the resilience of occupational status among the highest prestige groups. The minimal movement to lower prestige groups indicates that children of high-status individuals are largely shielded from significant socio-economic declines. A considerable 46.2% of children of fathers in *Group I* have moved to *Group II*, indicating a degree of downward mobility within high-prestige occupations. However, since *Group II* still represents high-prestige occupations, this movement can be viewed as more of a lateral shift within the upper circles of occupational status rather than a significant downward trend. This suggests that while some children do not retain the highest occupational status, they still achieve a relatively high level of prestige.

Figure 27: Occupation of respondents whose father is from I group



Source: Own work.

Out of all respondents who belong to the II group, 34.3% have a father who also belongs to the same occupational group, while 55.2% have a father from the III group, which suggests an upward mobility trend within this group.

Out of all respondents who belong to the III group, a significant majority (82.1%) have a father who belongs to the same group of occupation. The high percentage of respondents remaining in the same occupational group as their fathers suggests limited upward mobility within this segment and this pattern might indicate that individuals from medium to low-prestige occupational backgrounds face barriers to advancing to higher-prestige occupations.

When it comes to respondents who belong to the IV group i.e., who are housemakers, a significant majority (92.7%) have a father who belongs to the III group of occupations. This data points to a strong intergenerational transmission of lower occupational status. It

highlights the difficulty individuals from Group III backgrounds face in achieving upward mobility, which may be due to systemic barriers.

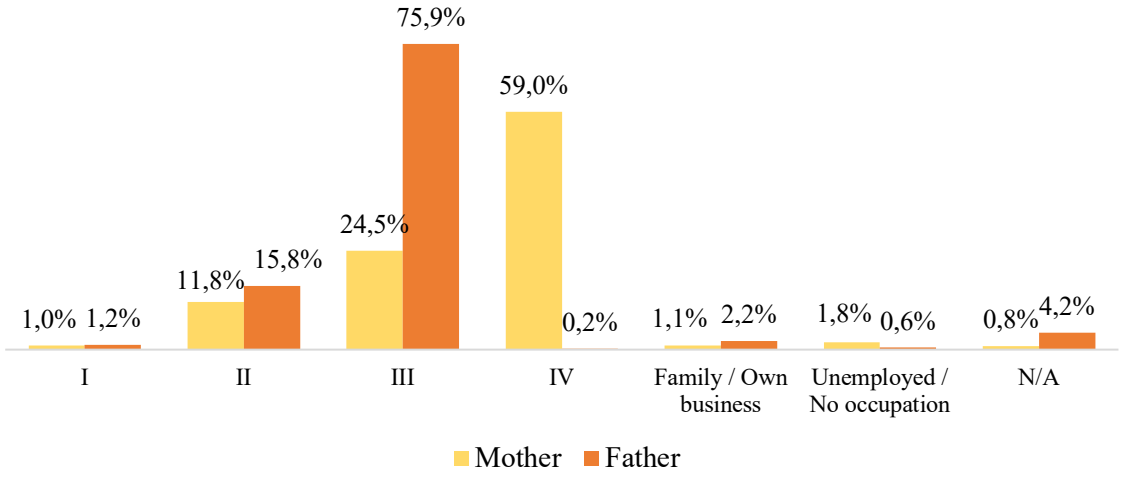
It can be concluded that this crosstabulation reveals both significant occupational continuity and notable trends of upward mobility. While upward mobility trends are encouraging, the high level of occupational continuity in certain groups indicates that barriers to mobility still exist.

5.4 Relationship between mother's occupation and intergenerational mobility

The relationship between occupation of respondents and the occupation of their mother is found to be statistically significant by the Chi-Square Test with a p-value being lower than 0.001.

Before proceeding to analyze the relationship between the two variables, it is interesting to mention the distribution of occupations among respondents' parents (Figure 28). A majority (59.0%) of respondents reported that their mother belongs to the IV group of occupations, that is, her occupation is primarily housekeeping. Having in mind that the sample of respondents has been a probability multi-stratified sample that reflect the population of the country, this data reveals that it is very common that Montenegrin citizens come from families in which mother has only been engaged in non-earning or informal economy roles, which has implications for household income dynamics and gender roles in the labor market. Furthermore, even though there are no fathers who belong to IV group, a significant majority (75,9%) belong to the III groups, which cover mostly artisan, driving, and other roles that do not require high education but the physical work and which belong to medium to low prestige occupations. This picture also says a lot about how Montenegro's human capital has been evolving.

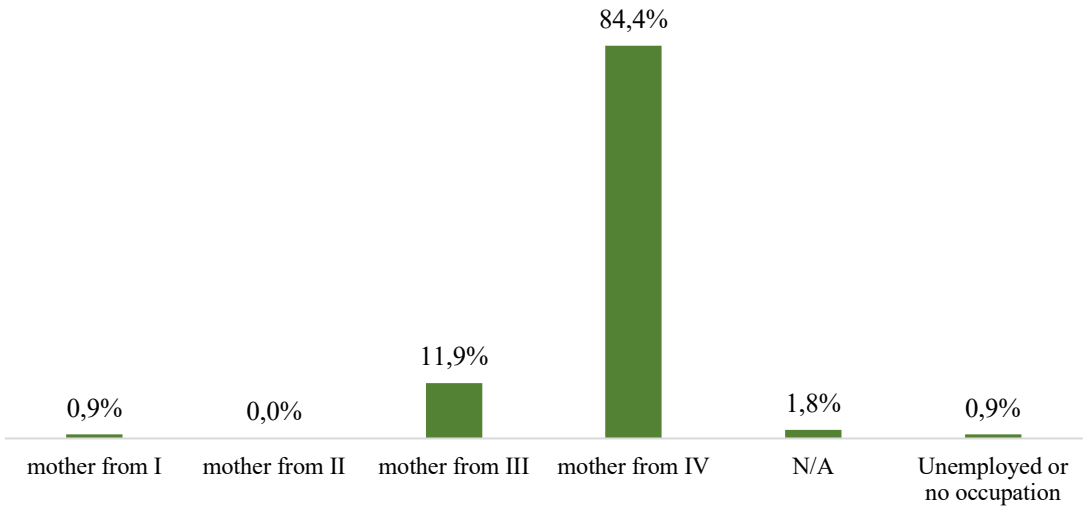
Figure 28: Distribution of occupation among respondents' parents



Source: Own work.

Moving on to analyzing the relationship, a striking 84.4% of respondents in the IV group (housemakers) have mothers who also belong to the same occupational group (Figure 29).

Figure 29: IV level respondents / mother's occupation



Source: Own work.

Out of all respondents from the III group, 25.4% have mothers who belong to the same group while 65.0% have mothers who belong to the IV group.

Out of all respondents who belong to the II group, 32.5% have a mother that belongs to the same group, while 28.0% have mothers that belong to the III group and 33.0% mothers from the IV group. This data indicates that around a third of all those who have high occupational prestige in life, actually remained in the same occupational group as their mother. Some fourth of those who obtained high occupational prestige actually demonstrated some upward mobility as compared to mother's medium to low occupational prestige (III group). As a significant portion of 33.0% have mothers from the IV group, this demonstrates notable upward mobility from the lowest occupational category to one considered to be high.

When it comes to respondents who reported to belong in the I group, that is, having the highest level of occupational prestige 14.3% have mothers from the same group as well and 14.3% have mothers from the II group. On the other hand, 35.7% have mothers from the III group and 35.7% of mothers from the IV group, which indicates notable upward mobility from the mother's occupational circumstances.

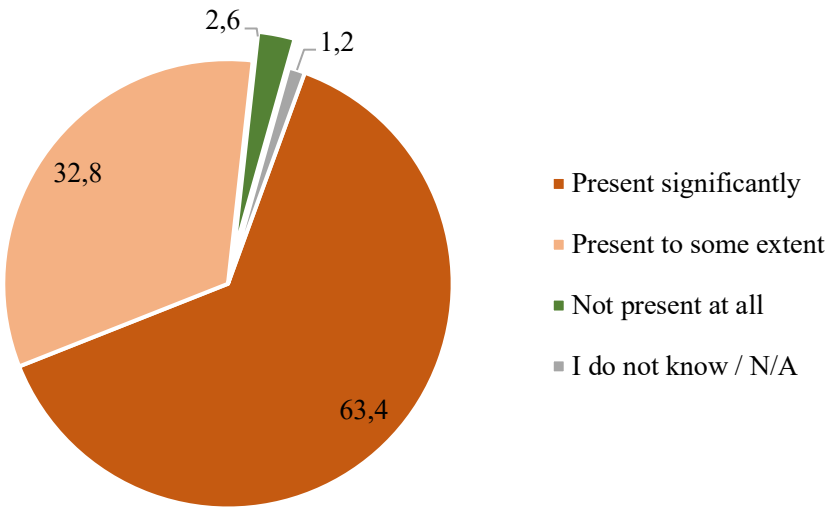
It can be noticed that Montenegro's society was significantly underdeveloped only a few decades ago, with significant economic and gender inequalities. Women, in particular, faced substantial economic disadvantages compared to men, as evidenced by the high percentage of mothers who were housemakers. Thus, this picture reveals a mixed picture of intergenerational occupational mobility in Montenegro. While there is substantial persistence in lower occupational categories, there is also considerable upward mobility,

particularly from groups III and IV to higher occupational groups. This upward mobility is partly attributed to historical gender inequalities and the country's underdevelopment, which limited opportunities for women in the past.

5.5 Results for other variables

When asked to what extent they think corruption is present in Montenegro, it is concerning that cumulatively 96.1 % of respondents say that it is present significantly or to some extent, while only 2.6% believe that it is not present at all (Figure 30). The overwhelming perception among Montenegro's citizens that corruption exists significantly or to some extent suggests a widespread belief in unfairness and lack of equal opportunity. This perception can contribute to a sense of disillusionment and frustration among individuals who feel that their chances for socioeconomic advancement are hindered by corrupt practices.

Figure 30: Perception of corruption presence in Montenegro

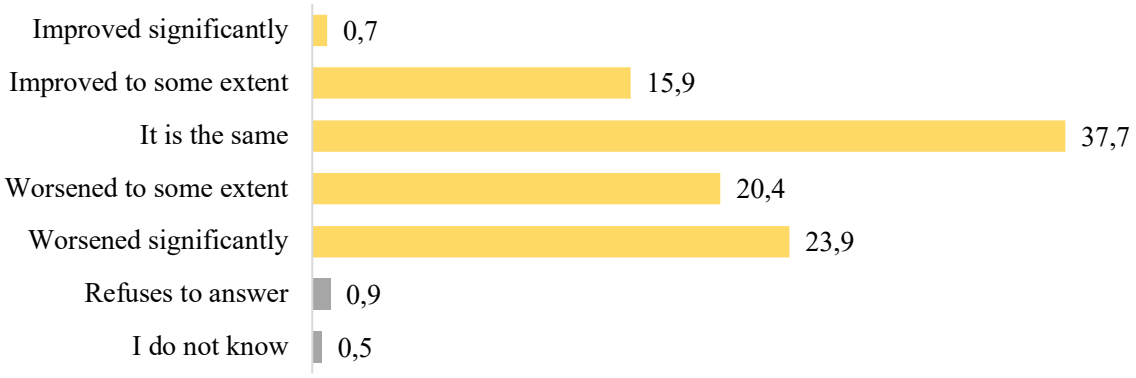


Source: Own work.

Corruption, particularly in forms such as nepotism, clientelism, and favoritism, can exacerbate socioeconomic inequality by creating advantages for those connected to the corrupt networks. When positions and resources are allocated based on personal connections rather than merit, it limits the ability of individuals from less privileged backgrounds to advance socioeconomically based on their skills and qualifications.

Figure 31 shows the attitude of respondents towards the economic situation in a country, from which cumulatively 44.3% think that the economic situation has worsened to some extent or significantly. This perception can contribute to feelings of economic insecurity and impact individuals' aspirations for socioeconomic advancement.

Figure 31: Perception of economic situation in Montenegro



Source: Own work.

In conclusion, the perception of widespread corruption and the concern over the worsening economic situation in Montenegro might imply that there are challenges that undermine public trust but also hinder socioeconomic progress.

6 DISCUSSION AND RECOMMENDATIONS

This chapter deals with the main findings from the research, implications for policy-making in the area as well as limitations of the study.

6.1 Summary of main findings

Research on intergenerational social mobility in Montenegro reveals a complex picture of both persistence and movement across educational and occupational levels. Among respondents with the lowest education level (primary school incomplete or complete), there is a strong persistence of low educational attainment across generations, with 92.9% having fathers with the same level of education and 96% having mothers with the same level. This highlights the significant barriers to upward mobility for those starting from a lower educational baseline.

For those with secondary education, a substantial 63.3% have fathers and 53.5% have mothers with the same level of education, indicating limited mobility within this group. Although 31.3% of these respondents have fathers with lower education and 42.9% have mothers with also lower education, this upward movement from primary to secondary education suggests modest progress, as the mobility is not as significant as it would be for moving from primary education to a university degree.

On the other side, there is a notable upward mobility among respondents with university bachelor degrees, where 58.8% have fathers and 59.9% have mothers with high school

education, demonstrating a significant leap in educational attainment. However, the persistence of educational attainment is also evident, as 21.6% have fathers and 22.4% have mothers with university degrees, indicating that higher educational levels are often maintained across generations.

Occupational mobility also shows significant patterns. Among those in high-prestige occupations, 20% have fathers in similar roles, while a majority of 53.3% have fathers in lower-prestige occupations, highlighting substantial upward mobility. For mothers, only 14.3% of respondents in high-prestige occupations have mothers in similar roles, again reflecting significant upward movement from lower-prestige groups. However, limited mobility is apparent among those in medium to low-prestige occupations, with 82.1% having fathers in the same group. A striking 84.4% of respondents who are homemakers have mothers in the same role, indicating strong persistence of occupational status.

The perception of corruption adds another layer to understanding inequality of opportunity in Montenegro. An overwhelming 96.1% of respondents believe that corruption is present to some extent or significantly, suggesting a widespread belief in unfair practices that could hinder socioeconomic advancement. Additionally, 44.3% of respondents feel that the economic situation in Montenegro has worsened, reflecting economic insecurity that likely impacts aspirations and opportunities for advancement.

6.2 Implications of the findings for policy and practice

The broad review of the literature, available secondary data, and findings from the conducted primary data research indicate that Montenegro faces issues in combating socio-economic inequality and inequality of opportunity based on factors individuals cannot impact, such as parental status.

The primary data findings demonstrate that human capital formation in Montenegro is impeded by factors beyond an individual's control, including the educational and occupational backgrounds of their parents. To fight barriers to human capital development linked to parental occupation and education, policymakers should create supportive environments for maximizing the potential of all children and youth. This would require more investments in education and career development services, especially for individuals from lower occupational and educational backgrounds. By motivating all to pursue the career they are interested in, Montenegro can unlock the full potential of its human capital and thus become a fully knowledge-based economy.

Furthermore, measures to create a more competitive and knowledge-based economy are necessary, as respondents believe that the economic situation is not improving. As Radović et al (2013) discussed, the competitiveness of the economy dominantly depends on the degree of development and the efficiency of economic institutes, measures to professionalize institutions dealing with economic policies should be taken into account.

As the significant majority of respondents believe that corruption in Montenegro is widespread, measures to battle corruption are urgently necessary. As Tevdovski (2016) emphasized in his research on economic inequality in Western Balkans, these countries have to create very transparent fiscal policies to decontructure institutions that tend to be misused for the reallocation of resources to the societal elites.

As indicators demonstrated that socio-economic inequality is present, even though on decline, policymakers should think of developing strong labor policies that safeguard workers' rights and promote fair wage distribution. Furthermore, having in mind a significant percentage of the population that live below the at risk of poverty threshold, tax policies could play an important role in better distribution to the poorer segments of society. This not only addresses current socio-economic disparities but also fosters long-term social mobility.

This research is very valuable as it uncovered that most individuals who obtained lower levels of education, actually “inherited” that attainment from their parents. This implies that Montenegro has to invest in skill development, which will also impact inequality. By providing accessible and quality education to all, individuals from disadvantaged backgrounds can acquire the skills needed to compete in the job market. This not only increases their earning potential but also reduces the gap between the skilled and the unskilled, thus contributing to a more equitable society and full human capital formation.

To conclude, addressing socio-economic inequalities in Montenegro requires a multifaceted approach that includes economic competitiveness, human capital development, anti-corruption measures, proper distributions of tax revenues, and skill enhancement.

6.3 Limitations of the study

The primary challenge and limitation have been the lack of comprehensive literature since available literature on the issue of socio-economic inequality and especially intergenerational social mobility for Montenegro is extremely scarce. The most valuable source concerning the field of study comes from the OECD but is usually limited to only OECD member states. As Montenegro is a relatively young modern state, it further strengthens this limitation, where there is a notable absence of detailed empirical studies and case analyses specific to Montenegro's broad economic and social landscape, which makes it hard to contextualize findings within a broader national framework.

The other limitation concerns the primary data, as the study's classification of respondents based on current educational attainment and occupational status did not capture their potential for future mobility or specific plans. Educational and career paths can evolve, with individuals pursuing higher degrees or transitioning to different occupations, which the study does not take into account.

6.4 Suggestions for future research

Further research could focus on the perception of factors of intergenerational social mobility and the correlation between intergenerational social mobility and the perception of failure and poverty in Montenegro. For instance, it is hypothesized that those who experience success in socio-economic status through social mobility tend to be more likely to blame poverty on individual characteristics such as laziness and lack of will and are less likely to attribute failure to injustice in society (Gugushvili, 2016), and it would be interesting to see the situation in Montenegro regarding this.

As Bajra`s (2021) study of remittances and income inequality in Western Balkans suggests that maintaining connections with the diaspora and implementing development-oriented policies can encourage the diaspora to invest their remittances in capital projects and address income inequality in Western Balkan countries, and having in mind that there is currently no comprehensive mapping on the Montenegrin diaspora available (IOM UN Migration, 2023), future research could focus on diaspora mapping and their investing correlation with income inequality in Montenegro. Furthermore, the IOM UN Migration Report from 2023 also suggests that the diaspora represents an opportunity to develop stronger cooperation between Montenegrin institutions and expatriates in different areas of expertise, with the ultimate goal of contributing to the sustainable development of Montenegro. Studying this field could create policy recommendations for decision-makers that could motivate them to attract diaspora investments.

Moreover, possible longitudinal studies of intergenerational social mobility could track changes over time in the field with policy analysis that could reveal effectiveness or even lack of proper policies that address the issue.

7 CONCLUSION

Socio-economic inequality in Montenegro has been on a recent decline, as demonstrated by major indicators. The Gini index has been decreasing consistently, with the most recent value from 2022 standing at 31.5. The at-risk of poverty and social exclusion rate increased during the coronavirus pandemic but has also been on a decline in 2022, as compared to 2021. In 2022, 20.3% lived at risk of poverty, while 34.1% belonged to the category of at risk of poverty and social exclusion. Children and youth aged 0-24 are the most vulnerable group to being at risk of poverty in the whole country. Furthermore, people in rural areas are significantly more at risk of poverty than those living in urban areas, while there are no significant differences between men and women. The income quintile share ratio in Montenegro in 2022 was 5.58, which indicates that 20% of citizens with the highest income (the fifth quintile) had 5.58 times more income than 20% of citizens with the lowest income (the first quintile), while EU`s quintile ratio is 5.0. The latest Palma ratio dates from 2018

which stood at 1.74, which means that individuals from the top 10%, in terms of income, earn 1.74 times more than the bottom 40%.

The analysis of educational attainment across generations in Montenegro shows a high level of educational persistence, as a large proportion of respondents achieve the same level of education as their parents. For example, 92.9% of those with primary school education or less have fathers with the same level of education, while 53.5% of high school graduates have mothers with the same level of education. Among respondents with incomplete or complete primary education, 96.4% have mothers with the same level of education, which indicates a strong inheritance of education and thus socioeconomic status. Among respondents with secondary education, 42.9% of mothers have only primary education, which indicates limited upward mobility. For respondents with a university bachelor's degree, 59.9% have mothers with high school or gymnasium diplomas, and 22.4% have mothers with university degrees, showing considerable upward mobility from high school to university education.

Data on occupational mobility show some upward mobility, especially among individuals whose mothers belong to occupational group IV. The trend towards a knowledge-based economy encourages greater social mobility and points a positive path towards a more just and dynamic society. The trend towards a knowledge-based economy is fostering greater social mobility, as more individuals acquire the education and skills necessary to move beyond the occupational statuses of their mothers. This indicates a positive trajectory toward a more equitable and dynamic society, where economic and social opportunities are increasingly accessible to all.

My work contributes to the understanding of specific challenges and trends in Montenegro and complements the existing literature in this field. I hope that the results of my research will help to better understand and solve the problems of socioeconomic inequalities and social mobility, and stimulate further research and action in this area.

REFERENCE LIST

1. Acemoglu, D. & Robinson J. (2012). *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Crown Business. Random House.

2. Aktuelno. (2023). *Ekonomske i socijalne nejednakosti u Crnoj Gori sve izraženije.* https://www.aktuelno.me/crna-gora/hra-ekonomske-i-socijalne-nejednakosti-u-crnoj-gori-sve-izrazenije/.

3. Albanesi, S. (2007). Inflation and inequality. *Journal of Monetary Economics 54*(4), 1088-1114.

4. Al Jazeera Balkans. (2023). *Članstvo Crne Gore u Evropskoj uniji podržava 78,5 posto građana.* https://balkans.aljazeera.net/news/balkan/2023/12/13/clanstvo-crne-gore-u-evropskoj-uniji-podrzava-785-posto-gradjana.

5. Bajra, U. Q. (2021). The interactive effects of remittances on economic growth and inequality in Western Balkan countries. *Journal of Business Economics and Management 22*(3), 757-775.

6. Bankar Portal. (2023). *Svaki treći zaposleni radi u javnom sektoru.* https://bankar.me/2023/11/15/svaki-treci-zaposleni-radi-u-javnom-sektoru/.

7. Beller, E. (2009). Bringing intergenerational social mobility research into the twenty-first century: Why mothers matter. *American Sociological Review 74*(4), 507-528.

8. Bergh A., Kolev A. & Tassot C. (2017). *Economic globalization, inequality and the role of social protection.* OECD Development Centre. Working Paper NO. 341.

9. Bjornskov, C., Dreher, A., Fischer, J., Schnellenbach, J. & Gehring, K. (2013). Inequality and Happiness: When Perceived Social Mobility and Economic Reality Do Not Match. *Journal of Economic Behavior and Organizatio*n *91*.

10. Breen, R., & Müller, W. (2020). *Education and intergenerational social mobility in Europe and the United States*. Stanford University Press.

11. Cappellari, L. (2021). Income inequality and social origins. *Institute of Labor Economics*. IZA World of Labor.

12. Causa, O. & Johansson, A. (2009). *Intergenerational Social Mobility*. OECD Economics Department. Working Paper No. 707. OECD.

13. Central Bank of Montenegro. (2022). *Price Stability Report*. Central Bank of Montenegro.

14. Chatterjee A., Ghosh A. & Chakrabarti, B. K. (2017). Socio-economic inequality: Relationship between Gini and Kolkota indices. *Physica A*. Elsevier.

15. Chetty, R., Hendren, N., Kline, P. & Saez E. (2014). Where is the land of opportunity? The geography of intergenerational mobility in the United States. *Quarterly Journal of Economics*.

16. Cingano, F. (2014). *Trends in Income Inequality and its Impact on Economic Growth*. OECD Social, Employment and Migration Working Papers No. 163, OECD.

17. Corak, M. (2013). Income inequality, equality of opportunity, and intergenerational mobility. *Journal of Economic Perspectives*.

18. Currie, J. & Goodman, J. (2020). Chapter 18 - Parental socioeconomic status, child health, and human capital. In Steve Bradley & Colin Green (Eds.), *The Economics of Education (Second Edition).* Pages 239-248.

19. Dabla-Norris, E., Kochhar, K., Suphaphiphat, N., Ricka, F. & Tsounta, E. (2015). Causes and Consequences of Income Inequality: *A Global Perspective*. International Monetary Fund.

20. Directorate-General for Economic and Financial Affairs. (2023). *EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ)*. Directorate-General for Economic and Financial Affairs.

21. DG NEAR. (2023). *Montenegro Report 2023*. DG NEAR.

22. Drezner, T., & Drezner, Z. & Hulliger, B. (2014). The Quintile Share Ratio in location analysis. *European Journal of Operational Research 238*(1). Elsevier. 166-174.

23. Drishti, E., Mehmetaj, N., Imami, D. & Zhlima, E. (2023). *Inequality of opportunities and beliefs about economic outcomes in the Western Balkans.* GLO Discussion Paper, No. 1259, Global Labor Organization (GLO). Essen.

24. Đurić, D. (2003). The economic development of Montenegro. In Florian B. Ed, *Montenegro in Transition Problems of Identity and Statehood*. Nomos Verlagsgesellschaft.

25. EBRD. (2016): *Transition Report*. EBRD.

26. Efendic, A. & Ledeneva, A. (2020). The importance of being networked: The costs of informal networking in the Western Balkans region". *Economic Systems 44*(4). Elsevier.

27. Eurostat. (2021). *Glossary: At risk of poverty or social exclusion (AROPE).* Eurostat.

28. Eurostat. (2023a). *Enlargement countries - statistics on living conditions.* Eurostat.

29. Eurostat. (2023b). *Life expectancy at birth down to 80.1 years in 2021.* Eurostat.

30. Eurostat. (2024a). *Income quintile share ratio S80/S20 for disposable income by sex and age group - EU-SILC survey.* Eurostat.

31. Eurostat. (2024b). *Living conditions in Europe - income distribution and income inequality.* Eurostat.

32. Ganić, M. (2019). The labor market, social inequality and the role of emigration: the case of the Western Balkan economies. *Western Balkan economies in transition: Recent economic and social developments*. 61-72.

33. Gilbert, A. (2017). Inequality and Why It Matters. *Geography Compass 1*(3).

34. Goda, T. (2016). A comparative review of the role of income inequality in economic crisis theories and its contribution to the financial crisis of 2007-2009. *Revista Finanzas y Política Económics 9*(1), 151-174

35. Gugushvili, A. (2016). Intergenerational social mobility and popular explanations of poverty: A comparative perspective. *Social Justice Research 29*(4), 402-428.

36. Hasell, J. (2023). *Measuring inequality: What is the Gini coefficient?* Our World In Data. https://ourworldindata.org/what-is-the-gini-coefficient.

37. Johansson, A. (2016). *Public Finance, Economic Growth and Inequality: A Survey of the Evidence.* OECD Economics Department Working Papers No. 1346.

38. Kakwani, N. C. (1980). *Income inequality and poverty: Methods of Estimation and Policy Application.* Published for the World Bank. Oxford University Press.

39. Kinyondo, A. & Pelizzo, R. (2015). Tourism, Development and Inequality: The Case of Tanzania. *Poverty & Public Policy 7*, 64-79. https://doi.org/10.1002/pop4.92.

40. Lynch, J., Smith, G. D., Hillemeier, M., Shaw, M., Raghunathan, T., & Kaplan, G. (2001). Income inequality, the psychosocial environment, and health: comparisons of wealthy nations. *The Lancet 358*(9277), 194-200.

41. MANS. (2015). *Za izborna zaposljavanja 750 hiljada eura.* https://www.mans.co.me/za-izborna-zaposljavanja-750-hiljada-eura/.

42. Marsh, R. M. (2016). What have we learned from cross-national research on the causes of income inequality? *Comparative Sociology 15*(1), 7-36.

43. Miller D., Cheek J., Mansourian S., Wildburger C. (2022). Forests, trees and the eradication of poverty. *Forest Policy and Economics 140.* Elsevier.

44. Monstat. (2018). *Statistika dohotka i uslova života 2013-2017.* Monstat.

45. Monstat. (2023a). *Indeks rodne ravnopravnosti u Crnoj Gori.* Monstat.

46. Monstat. (2023b). *Survey on Income and Living Conditions (EU-SILC).* Monstat.

47. Monstat. (2023c). *Bruto domaći proizvod Crne Gore.* Monstat.

48. Monstat. (2024a). *Mjesečni pregled: Zaposlenost i zarade.* Monstat.

49. Monstat. (2024b). *Preliminarni rezultati Popisa stanovništva, domaćinstava i stanova u 2023. godini.* Monstat.

50. Narayan, A., et al. (2018). Fair Progress? Economic Mobility Across Generations Around the World. *Equity and Development.* World Bank.

51. Nguyen, T. (2023). *Montenegro Country Economic Memorandum: Towards a Resilient Growth Strategy - Inequality of Opportunity Holds Back Montenegro's Labor and Human Capital Potential.* World Bank Group.

52. O'Neill, A. (2024). *Montenegro: Gross domestic product (GDP) per capita in current prices from 2009 to 2029.* Statista. https://www.statista.com/statistics/528672/gross-domestic-product-gdp-per-capita-in-montenegro/.

53. Oded, G. (2011). Chapter 5 - Inequality, Human Capital Formation, and the Process of Development. Editor(s): Eric A. Hanushek, Stephen Machin, Ludger Woessmann, *Handbook of the Economics of Education 4*. Elsevier. Pages 441-493.

54. OECD. (2024a). *Life expectancy at birth.* OECD.

55. OECD. (2024b). *Income inequality (indicator).* OECD.

56. Palmisano, F., Biagi, F., & Peragine, V. (2022). Inequality of opportunity in tertiary education: Evidence from Europe. *Research in Higher Education 63*(3), 514–565. https://doi.org/10.1007/s11162-021-09658-4.

57. Pavasović Trošt, T. & Marinšek, D. (2022). Social class and ethnocentric worldviews: assessing the effect of socioeconomic status on attitudes in Serbia and Croatia. *Communist and post-communist studies 51*(2), p. 39–61.

58. Peet, R. (1975). Inequality and poverty: A Marxist-Geographic Theory. *Annals of the Association of American Geographers 65*(4), 564–571. https://doi.org/10.1111/j.1467-8306.1975.tb01063.x.

59. Portal Analitika. (2023). *U Evropi crnogorska ekonomija najviše zavisi od turizma.* https://www.portalanalitika.me/clanak/u-evropi-crnogorska-ekonomija-najvise-zavisi-od-turizma.

60. Portal Analitika. (2024). *Ovo su najveće mjesečne plate u Crnoj Gori: 128 hiljada, pa 110, pa 109.* https://www.portalanalitika.me/clanak/ovo-su-najvece-mjesecne-plate-u-crnoj-gori-128-hiljada-pa-110-pa-109.

61. Radio Slobodna Evropa. (2020). *Dve strane pandemije – rekordno bogaćenje i ekstremno siromašenje.* https://www.slobodnaevropa.org/a/rekordno-bogatstvo-milijardera-i-porast-ekstremnog-siromaštva/30882849.html.

62. Radovic, M, Žugic, R., & Milovic, N. (2013). Economic institutions and competitiveness of economy with emphasis on Montenegro. *Montenegrin Journal of Economics 9*(1).

63. Romer, C. & Romer, D. (1998). *Monetary Policy and the Well-Being of the Poor.* NBER. Working Paper Series No. 6793.

64. Royuela, V., Veneri P. & Ramos, R. (2014). *Income Inequality, Urban Size and Economic Growth in OECD Regions.* OECD Regional Development Working Papers 2014/10.

65. Sachs J. D. et al. (2022). *Sustainable Development Report 2024, The SDGs and the UN Summit of the Future.* Dublin University Press.

66. Sandel, M. (2012). *What Money Can't Buy: The Moral Limits of Markets*. Farrar, Straus and Giroux.

67. Saunders, P. (2022). The Director and Indirect Effects of Unemployment on Poverty and Inequality. *Australian Journal of Labour Economics (AJLE) 5*(4), 507-530.

68. Smith, M. L. (2010). Perceived corruption, distributive justice, and the legitimacy of the system of social stratification in the Czech Republic. *Communist and Post-Communist Studies 43*(4), 439–451.

69. Statista. (2023). *Unemployment rate in the European Union and the Euro area from 2012 to 2022.* Statista.

70. Tevdovski, D. (2016). *Kako smanjiti nejednakost na Zapadnom Balkanu?, Socijalna demokratija u Evropi i koncept „socijalnog društva".* pripredio Orlovic S. Fondacija Friedrich Ebert.

71. Thorbecke, E. & Charumilind, C. (2002). Economic Inequality and its socioeconomic impact. *World Development 30*(9), 1477-1495. Elsevier Science Ltd. Cornell University.

72. Transparency International. (2023). *Corruption Perception Index: Montenegro*. Transparency International.

73. Trapeznikova, I. (2019). Measuring income inequality. *Institute of Labor Economics*. IZA World of Labor.

74. Tyson, S. (2024). *Intergenerational mobility explained.* The 93 Percent Club. https://www.93percent.club/blog/intergenerational-mobility.

75. UNICEF Montenegro. (2021). F*ighting Poverty In Montenegro Through Responsive Evidence-Based Social And Child Protection. A Review Of Sustainable Reform Scenarios.* UNICEF Montenegro.

76. Van der Weide, R. & Narayan, A. (2018). *Intergenerational mobility across the world: Where socioeconomic status of parents matters the most (and least).* https://cepr.org/voxeu/columns/intergenerational-mobility-across-world-where-socioeconomic-status-parents-matters.

77. Velkovska, I., Trenovski, B. & Kozheski, K. (2021). Is There a Link between Income Inequality and Economic Growth in the Balkans? Testing the Kuznets Hypothesis. *Revija za socijalnu politiku 28*(2), pp.227-238.

78. Vijesti. (2022). *UNDP: A third of young people in Montenegro want to leave the country.* https://en.vijesti.me/news/society/605564/undp%2C-a-third-of-young-people-in-Montenegro-want-to-leave-the-country.

79. Von Mises, L. (1998). Interventionism: An Economic Analysis, In Bettina Bien Greaves (Ed). *The Foundation for Economic Education*. Inc. Irvington-on-Hudson.

80. Williams N., Radevic D., Gherhes C. & Vorley T. (2017). *The nature of corruption affecting entrepreneurship in transition economies: Some lessons from Montenegro*. *South East European Journal of Economics and Business*. DE GRUYTER.

81. World Bank. (2022). *Impact of Covid-19 on global income inequality.* Global Economic Prospects, World Bank.

82. World Bank. (2024a). *Gini index.* World Bank.

83. World Bank. (2024b). *World Bank Country and Lending Groups.* World Bank.

84. World Health Organisation. (2024). *Montenegro - country overview.* World Health Organisation.

85. You, J. (2015). *Democracy, Inequality and Corruption*. Cambridge University Press.

86. Zeneli, V. (2014). Economic Development in the Western Balkans: On the Road to Competitive Market Economies? *Connections 13*(4). Partnership for Peace Consortium of Defense Academies and Security Studies Institutes.

APPENDICES

Appendix 1: Povzetek (Summary in Slovenian language)

V magistrskem delu sem raziskovala socialno-ekonomske neenakosti in medgeneracijsko socialno mobilnost v Črni gori. Po obsežnem pregledu literature in analizi razpoložljivih podatkov sem prišla do zanimivih zaključkov, korelacij in podatkov, ki pokrivajo to temo nasploh. Posebna pozornost je bila namenjena raziskovanju situacije v Črni gori, ki je v literaturi redkeje obravnavana.

Socioekonomske neenakosti in socialna mobilnost sta ključna dejavnika, ki vplivata na kakovost življenja posameznikov in na družbeni razvoj. S pregledom obstoječe literature sem analizirala različne teorije in študije, ki se ukvarjajo s temi vprašanji, pri čemer je bilo ugotovljeno, da obstajajo številni dejavniki, ki vplivajo na socialno mobilnost, vključno z izobrazbo, zaposlitvenimi priložnostmi, socialnim kapitalom in državno politiko. Literatura nakazuje, da visoka socialno-ekonomska neenakost, torej neenakost možnosti, ovira oblikovanje človeškega kapitala, s tem pa gospodarsko rast in razvoj. Prav tako socialno-ekonomska neenakost vodi v gospodarsko nestabilnost ter druge socialne in kulturne težave. Na primer, države z visoko neenakostjo imajo višje stopnje kriminala, nasilja in slabo javno zdravje. Najrevnejši pogosto pristanejo v socijalno izoliranih območjih, kjer stopnja nasilja narašča.

Socio-ekonomska neenakost v Črni gori se v zadnjem času zmanjšuje, kar potrjuejo glavni kazalniki. Gini indeks se dosledno znižuje, najnovejša vrednost iz leta 2022 znaša 31,5. Stopnja tveganja revščine in socialne izključenosti se je povečala med pandemijo koronavirusa, vendar je leta 2022 v primerjavi z letom 2021 upadla. Leta 2022 je bilo na robu revščine 20,3% ljudi, medtem ko jih je 34,1% spadalo v kategorijo tveganja revščine in socialne izključenosti. Otroci in mladostniki, stari od 0 do 24 let, so najbolj ranljiva skupina v državi. Poleg tega so ljudje na podeželju bistveno bolj izpostavljeni tveganju revščine kot tisti v urbanih območjih, medtem ko ni pomembnih razlik med moškimi in ženskami. Dohodkovni kvintilni delež v Črni gori je bil leta 2022 5,58, kar pomeni, da je 20% prebivalcev z najvišjimi dohodki imelo 5,58-krat več dohodka kot 20% prebivalcev z najnižjimi dohodki, medtem ko je kvintilno razmerje v EU 5,0. Najnovejša Palma razmjerje iz leta 2021 je znašalo 1,4, kar pomeni, da imajo posamezniki iz zgornjih 10% dohodkov 1,4-krat več kot spodnjih 40%.

Moja raziskava temelji na podatkih, ki sem jih zbrala septembra 2022 med delom v črnogorskem raziskovalnem podjetju DeFacto Consultancy. Uporabila sem primarne podatke, zbrane na reprezentativnem večstratificiranem sistematičnem naključnem vzorcu 1008 anketirancev iz celotne Črne gore. Vzorec je bil izdelan v večih fazah. Najprej sem vzorec z uporabo volišč razdelila na geografske enote Črne gore, tako da sorazmerno ustreza zadnjemu popisu prebivalstva. V drugi fazi so anketarji na terenu anketirali vsako drugo gospodinjstvo v dani ulici. V tretji fazi so bili anketirani družinski člani, ki so zadnji v družini praznovali rojstni dan, mlajši od 18 let pa niso bili anketirani. Terensko zbiranje podatkov so opravili anketarji iz omenjenega podjetja, vzorec, vprašalnik ter koordinacija in izvajanje

tehničnega nadzora anketiranja sem ja izdelala. Anketarji so uporabili CAPI (Computer Assisted Personal Interviewing). V anketi sem preverjala stopnjo izobrazbe anketirancev ter stopnjo izobrazbe očeta in matere, z uporabo Likertove lestvice. Preučila sem tudi poklic respondenta ter poklic očeta in matere, kar je bilo odprto vprašanje, ki sem ga kasneje kodirala v SPSS-u. Pri analizi podatkov preko programske opreme SPSS sem uporabila deskriptivno statistiko - frekvence in navzkrižne tabele, da bi razkrila pogostost kot tudi razmerje med spremenljivkami.

Pri analizi razmerja med izobrazbo respondenta ter izobrazbo matere in očeta je s statističnim testom Chi-Aquare pokazano, da sta obe zvezi statistično pomembni, torej da obstaja vzorčna povezava. Analiza dosežene izobrazbe med generacijami v Črni gori kaže na visoko stopnjo izobrazbene vztrajnosti, saj velik delež anketirancev doseže enako raven izobrazbe kot njihovi starši. Na primer, 92,9 % tistih z osnovnošolsko izobrazbo ali manj ima očete z enako stopnjo izobrazbe, medtem ko ima 53,5% srednješolcev matere z enako stopnjo izobrazbe. Pri anketirancih z nepopolno ali končano osnovnošolsko izobrazbo ima 96,4% mater z enako stopnjo izobrazbe, kar nakazuje na močno podedovanost izobrazbe in s tem socialno-ekonomskega statusa. Med anketiranci s srednješolsko izobrazbo ima 42,9% mater le osnovnošolsko izobrazbo, kar kaže na omejeno navzgor usmerjeno mobilnost. Od vseh anketirancev, katerih očetova stopnja izobrazbe je osnovnošolska izobrazba ali manj, jih je skoraj tretjina (30,4 %) ostala na enaki izobrazbeni stopnji, medtem ko jih je večina (60,5%) napredovala v srednjo šolo, ampak samo 3,8% jih je doseglo fakulteto in le 0,3% jih je doseglo magister ali doktorat. To kaže, da je tistim iz najnižjih izobraževalnih pozadin, najteže doseči visoko izobrazbo.

Pri analizi razmerja med poklicem anketiranca in poklicem matere in očeta se je s pomočjo Chi-Square testa pokazalo tudi statistično pomembno razmerje oziroma vzorčno razmerje. Podatki o poklicni mobilnosti kažejo nekaj navzgor usmerjene mobilnosti, zlasti med posamezniki, katerih matere spadajo v IV skupino poklicev. Obstaja pa tudi težnja po ohranjanju visokega poklicnega prestiža skozi generacije. Na primer, anketiranci z očeti iz skupine I večinoma ostajajo v skupini I ali v skupini II, ki označujejo poklice z visokim prestižem.

Možne politike, ki lahko rešujejo omenjeno neenakost možnosti, so vlaganje v kakovost izobraževanja, krepitev meritokracije s krepitvijo trga, boj proti kronizmu in korupciji ter vlaganje v razvoj veščin.

Moje delo prispeva k razumevanju specifičnih izzivov in trendov v Črni gori ter dopolnjuje obstoječo literaturo na tem področju. Upam, da bodo rezultati moje raziskave pripomogli k boljšemu razumevanju in reševanju problemov socioekonomskih neenakosti in socialne mobilnosti ter spodbudili nadaljnje raziskave in ukrepe na tem področju.

Appendix 2: Survey questionnaire

1. What is your highest level of education obtained? (Likert scale, only one answer)
    - not completed primary school or only primary school completed
    - secondary school or gymnasium
    - higher school / college
    - bachelor
    - master, specialisation or phd
2. What is the highest level of education obtained by your father / legal guardian? (Likert scale, only one answer)
    - not completed primary school or only primary school completed
    - secondary school or gymnasium
    - higher school / college
    - bachelor
    - master, specialisation or phd
3. What is the highest level of education obtained by your mother / legal guardian? (Likert scale, only one answer)
    - not completed primary school or only primary school completed
    - secondary school or gymnasium
    - higher school / college
    - bachelor
    - master, specialisation or phd
4. What is your occupation? (Note: if the respondent is retired, ask for the occupation before retirement) (Open-ended question)

    _____
5. What is or was the occupation of your father? (Note: if retired, ask for the occupation before retirement) (Open-ended question)

_____

6. What is or was the occupation of your mother? (Note: if retired, ask for the occupation before retirement) (Open-ended question)

_____

7. What is your gender? (Nominal, only one answer)

    - Male
    - Female

8. What is your age? (Open, numerical)

_____

9. Where are you employed at? (Likert, only one answer)

    - public sector
    - private sector
    - self-employed
    - Unemployed and seeking a job
    - Unemployed and not seeking a job
    - Retired
    - Housemaker
    - Other, please specify _____

10. Would you say that the economic situation in Montenegro, in the last 12 months, has..? (Likert, only one answer)

    - improved significantly,
    - improved to some extent,
    - been the same,
    - worsened to some extent,
    - worsened significantly.

11. In your opinion, to what extent is the corruption present in Montenegro? (Likert, only one answer)

    - highly present
    - present to some extent
    - not present at all
    - I do not know.